The MAGAZINE of WALL STREET

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INVESTMENT & BUSINESS TREND

An Age of Economical Business Management—The World's Banker—Advance in Money Rates—Bond Values—Earnings Situation—The Market Prospect

QUIETLY pursuing their researches into methods for lowering production costs, leaders of business have had far greater success than is generally known by the public. The days of incontinent spending and reckless expansion which were created by war conditions have passed and in their place has come a new period of careful and efficient business administration.

As a principal factor in bringing about this improved state of affairs none has been of greater importance than the increased willingness of labor to give a full day's work for its daily hire. This has been particularly the case among the railroads which have found themselves in the fortunate position of being able to reduce their staffs of employees without lowering operating efficiency and in fact without at all interfering with their ability to carry increasing freight volumes. Many other instances might be cited to show how superior is labor efficiency to-day to that of five years ago.

Another important development in reducing operating charges among various industries has been the amalgamation of smaller systems into single large ones. This has permitted cutting down of duplicated costs, in many directions, and has created increased general managerial efficiency. To these factors, of course, may be added the lower cost of credit, the more or less stabilized commodity prices and a general tendency on the part of Government and state authorities to permit industry to work out its problems without embarrassing interference.

Looking back over the past five-year period, it must be apparent that business efficiency has taken great strides forward. Indeed, it has been compelled to do so in view of the serious difficulties created by the surplus of manufacturing facilities since the war. Speaking generally, industry has already overcome many obstacles in the way of economical administration and will certainly continue to do so as long as it is forced to adjust itself to the extreme competition which prevails in this country and, for that matter, throughout the world.

WORLD'S BANKER

RECENT bond issues floated by American bankers to secure funds for European nations have assumed generous proportions. In the past two months alone, we have financed the following countries in varying amounts: Germany, France, Belgium and Greece. With the exception of Russia, in the past few years we have financed practically every European country of importance so that it may fairly be said that we are at least Europe's banker. We have also helped to finance Japan and several South American countries.

Most of these loans have been to Governments but there is now a strong tendency toward loans abroad to private industry. It is reported, for example, that the Krupps have secured a ten million dollar loan here and other important foreign interests are approaching American bankers with a view toward securing large amounts for purely business purposes.

It is not generally realized how extensive are our financial transactions abroad. Nor are they likely to diminish. The United

States at last is taking its place as the world's banker, seemingly displacing Great Britain from that exalted position.

MONEY RATES

AS expected, time money rates have been advanced to 4% measuring a full three-quarters per cent rise since last summer. Commercial and market demand for money has increased greatly since election and, combined with exports of gold abroad and the large amount of foreign financing, has definitely served to change the character of the money market. Almost automatically a rise in Federal Reserve rediscount rates should follow. Business men and investors will have to expect to pay higher rates for their accommodations in the near future.

BOND MARKET

WITH the tendency toward higher money rates, comes the inevitable question of the outlook for bonds. High-grade bonds to-day yield in the neighborhood of 4½% which is only ½% more than the recently posted time money rate. It is obvious that this spread is too small and if, as appears probable, money will advance to the 4½ or 5% level, the automatic effect will be to level the prices of high-grade issues. Another feature is the fact that during the recent period of extremely low rates, bankers were forced to buy heavily of high-grade long-term bonds in order to secure a more or less adequate yield on their funds. Now that they face a period in which lending becomes more profitable, they will undoubtedly sell their bonds and use the proceeds in strictly commercial banking transactions. High-grade bonds, therefore, are practically certain to react during this period of increasing money rates.

INDUSTRIAL EARNINGS

INCREASED business in the fourth quarter brings a more favorable earnings situation than at any time this year except in the first quarter. Among the leading industries which will show a good increase in average earnings are: railroads, steel, iron, tobacco, textiles, chemicals, mail order, chain and department stores. With the exception of the textiles, which still have to restore their financial position, dividend prospects are fairly bright among these industries.

SPECULATION IN "CATS AND DOGS"

THE tremendous scope of stock market activities has not concealed the fact that there is a good deal of speculation in non-dividend paying shares selling at a few dollars a share. In many cases, these shares represent companies in poor financial condition and whose future seems dubious despite the general increase in business. Inexperienced investors are frequently lured by the possibilities of making a quick and large profit in this type of stock but, in the long run, the actual losses far more than offset the potential profits. They should stick to securities of unquestioned value and earning power, under all circumstances, and leave the "cats and dogs" to market gamblers.

THE MARKET PROSPECT

YEAR-END adjustments in trade and industry have served to retard the upward trend of business for the time being but resumption of the forward movement may be expected in the immediate future. Although the gains in some industries have been truly spectacular, the total volume of business still remains below that of the peak of 1923. Taking a broad view of the situation, however, it is quite probable that profits in the first quarter of 1925 will be on a satisfactory basis.

Reflecting increased commercial and foreign demand for credit, the money markets have stiffened, time money reaching 4% which compares with a minimum rate of 3% several months ago. Still higher rates are probable. In the meantime, high-grade fixed-income-bearing securities are reflecting the changed character of the money market and are somewhat lower than at the year's peak.

The upward movement in the share market continues, with spectacular advances in individual cases lending a somewhat colorful aspect to the current situation. Calm analysis reveals the fact that while many issues have been driven beyond a point warranted by their earnings prospects, other groups of stocks which have thus far languished in the market are commencing to show more life. It is thus probable that while some may falter, others will take their place in the procession. Obviously, at such a time as this it would be common sense to avoid stocks which have advanced uninterruptedly since the elections, selecting only such issues which are still comparatively low in the market and whose earnings prospects appear to warrant their purchase.

Monday, December 29, 1924.

Stabilizing the Nation's Business Through Rail Efficiency

What Improved Transportation Facilities Are Achieving Toward This End

An Interview by THEODORE M. KNAPPEN with:

CHARLES H. MARKHAM
President, Illinois Central System

"I MET a manufacturer the other day who told me that owing to the celerity and dependability of railway freight service, he was able to assemble his raw materials after he had received an order for certain goods, manufacture and deliver and collect on them before his material bills were presented for payment."

That was the characteristically concrete answer I got from President C. H. Markham of the Illinois Central Railroad System, when I asked him whether increasing railway efficiency was having any effect on the practices and customs of business and finance.

"That almost looks," I commented, "as if a good manager could run a business nowadays without working capital."

"Well, do you know that I was at a meeting of bank directors not long since when some one said something to the same effect, and it was generally agreed that *the increasing efficiency of the railways, resulting in extraordinary speed in the handling of freight, is operating greatly to reduce the amount of capital required in some kinds of business.*"

Hand-to-Mouth Buying to Stay

"Do you consider," I asked, "that the so-called hand-to-mouth habit of buying that has characterized trade since the depression of 1920-21 is to be a permanent feature?"

"I think it is. It began undoubtedly as a result of hard times, slow business, poor collections and absorption of working capital; but our manufacturers and merchants soon discovered that what they had resorted to from necessity was really a luxury that railways had placed at their disposal. The accident of hard times simply broke up an old custom and revealed to business men new opportunities arising from improved transportation.

"Why should a merchant absorb a large part of his capital in storing goods for several weeks or months ahead, when he can depend upon getting them when and as he needs them? He saves not only in capital, but also in labor and storage expense; and, finally, he has the advantage of compressing the cycle of buying and selling, which may often mean much to him with respect to prices and consequently in profit and loss.

"It was not so many years ago that it would have been impossible for any man to succeed in business and consistently follow the practice of hand-to-mouth buying. He simply could not count on having goods on hand he required unless they were ordered for delivery well in advance of the time when he expected to sell or use them. The improvement in railway service since the war has been so great, both in respect to speed and dependability, that business counts, and can reasonably count upon receiving goods on a rapid turnover schedule.

"On our line, for instance, we have regular through-freight service between New Orleans and Chicago in 79 hours. We have a special banana freight service in 67 hours and 30 minutes. We move fruit and vegetables by freight from the assembling points at LaComb, Mississippi, to Chicago, in 58 hours and 50 minutes. Some of the special express trains drive through in 34 hours and 15 minutes. Passenger train express moves from New Orleans to Chicago in 23 hours. There is now regular through-freight train service across the continent from San Francisco and Los Angeles to New York in 11 days. Express moves in four days. Through regular freight train services operate between New York and Chicago on a 60 to 72-hour schedule; express moves that distance in 24 hours.

"Some years ago the average daily mileage of

EFFICIENT RAILROADS—

—Are reducing:

1) ***The amount of capital needed in business;***
2) ***The capital "tied-up" in current operations;***
3) ***The necessity for large stocks of raw material;***
4) ***Deloys, doubts and uncertainties about shipments;***
5) ***Congestion at shipping and receiving points;***
6) ***Peaks and valleys of business activity.***

a freight car was less than 25 miles. On the Illinois Central we now keep the daily movement of such a car up around 49 miles, and if it falls below 40, we feel that something is wrong. I should say, however, that this average mileage is very deceptive, because it includes all the freight cars on the system, whether standing idle or in service.

"However, we have made great advances in recent years in expediting the movement of loaded cars. The trains may not move faster than formerly, but they are larger, and cars do not lose the time they once did in terminals and at division points en route.

Dependability of Service Important

"It is not only the reduction of time in moving goods that contributes to hand-to-mouth buying, but it is the dependability of service. Our fast trains handling perishable and other high-class freight over long distances make scheduled early morning deliveries in Chicago 99 per cent on time.

"*The improvement in railway service is, in my opinion, a tremendous factor in preserving good times and avoiding bad times.* We have handled in 1923 and 1924 the greatest volume of freight in the history of the American railways, and we have done it without any serious congestion. I believe that we are going to keep up to this high level of performance and do better and better. With no large amount of forward buying, and with railways delivering materials and finished goods quickly and on time, commerce avoids on the one hand congestion arising from delayed delivery, and on the other hand avoids congestion resulting from the accumulation of uncalled-for goods.

"A large factor in bringing about periods of depression is the accumulation by manufacturers and dealers of quantities of goods that are much in excess of current demand. Business dams itself, so to speak. Having produced and accumulated more goods than can be liquidated within a convenient time, factories have to shut down, men are thrown out of work and lessened consumption follows decreased production, and then we are in a vicious circle out of which it takes a long time to work.

Diminishing the Hazard

"Under the new custom, so largely attributable to railway efficiency, business becomes more and more a matter of meeting daily demands. There is less production for future consumption because there is less need of it, *and thus the hazards and speculation are largely taken out of business.* Also the temptation to over-produce and over-buy is greatly reduced, and I doubt whether we shall ever again have anything comparable to the periods of overproduction and pyramided buying that we have had in the past.

"The service that the railways are rendering to business through improved transportation vastly over-shadows any consideration of rates. Variations in railroads rates are of infinitesimal importance compared with improvement or deterioration in the service. When eleven mills will carry a ton of freight one mile as they did on the

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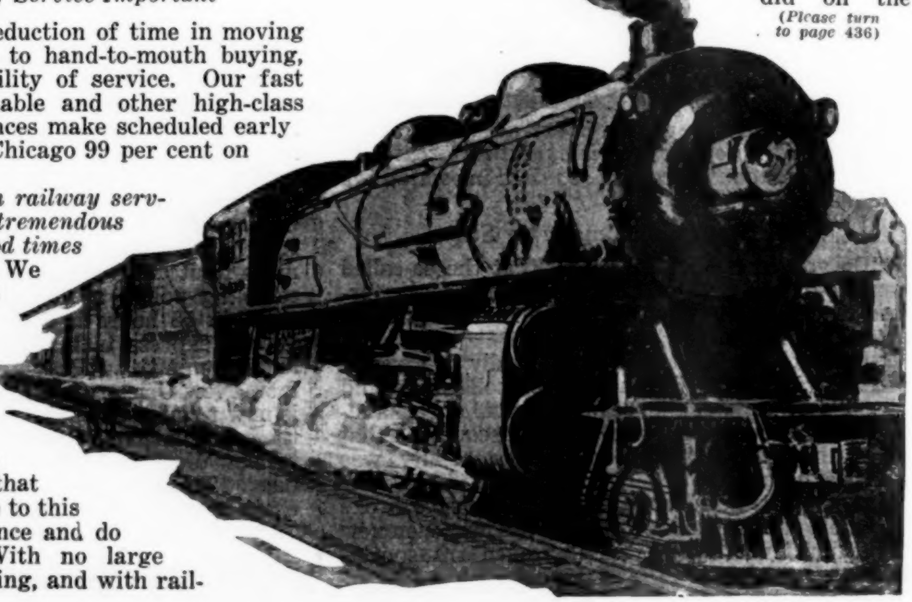
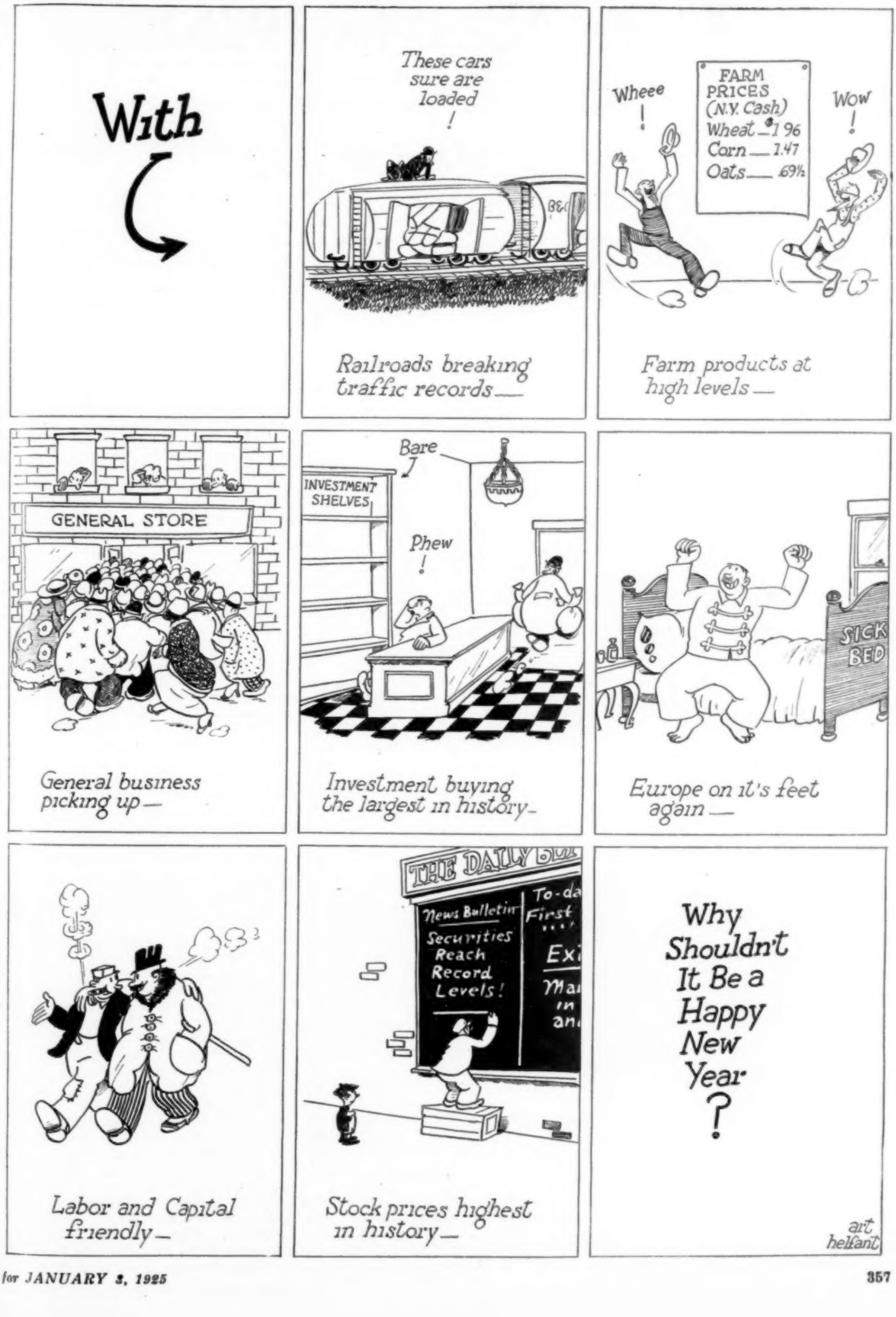




With
These cars sure are loaded !
Railroads breaking traffic records —
Wheeee !
FARM PRICES (N.Y. Cash)
Wheat — $1.96
Corn — 1.47
Oats — .69½
Wow !
Farm products at high levels —
GENERAL STORE
General business picking up —
Bare
INVESTMENT SHELVES
Phew !
Investment buying the largest in history —
SICK BED
Europe on it's feet again —
Labor and Capital friendly —
THE DAILY
News Bulletin
Securities Reach Record Levels!
Stock prices highest in history —
Why Shouldn't It Be a Happy New Year ?
art helfant

What's Ahead for 1925?

THE MAGAZINE OF WALL STREET'S Forecast for Securities, Money Rates and Business

MONEY SITUATION	SECURITY OUTLOOK	BUSINESS TREND
by	by	by
H. PARKER WILLIS	RICHARD D. WYCKOFF	E. D. KING

THIS article presents the essential facts of the business, money and security situation. The forecasts are conservative and are limited to a survey of probable conditions in the early part of 1925. We deem it essential that our readers obtain at this time a clear picture of the underlying trend as given herewith. Necessarily the outlook for business and money conditions can be sketched with greater certainty than those applying for securities, particularly the speculative division of the market.

Forecasting an Advance in Money Rates

Six Per Cent Call Money Indicated in Near Future

AT the close of a year of abnormally low money rates the business and banking community finds itself in a position which is peculiarly subject to the influence of changes in discount and interest. What are these changes likely to be during 1925? Prospects for at least the early part of the year may be fairly predicted, and the general trend of affairs for a longer period may at least conjecturally be traced.

Present Situation

During the last few months of 1924, interest and discount rates have gone to an abnormally low figure. Not for a great while, has it been true that call money over long periods could be borrowed at 2 to 2½%, that time funds could be had at 1% above that figure and that commercial paper could command interest as low as 3 @ 3¼%. These figures were the outcome of sharp shrinkage of commercial demand in the interior of the country, due to falling off of business, associated with an unusual and simultaneous import of gold into the country. Some other contributory factors were at work, but these were doubtless the chief.

The result has been to cut off bank income from customers' loans, compel banks to content themselves with a much lower rate of interest, whether in the stock market or the open commercial paper market, and finally to drive them largely into long-term securities, owing to their desire to keep their funds at work and make moderate provision for dividends. During the last few weeks of the year, a very slight upward movement of money rates has occurred, and has begun to infringe very slightly upon the general rate situation previously existing. What is the immediate future of this movement?

New Factors at Work

The answer is found in a survey of the new factors that are now at work in the market. Easily the first of these is the growth of business. According to official figures, there has been since mid-summer an expansion of business volume of something like 20 to 25%. This increase does not mean a corresponding or immediate increase in bank loans, but it certainly means a materially and enlarged demand for loans. At the same time, the beginnings of a gold movement of considerable proportions growing out of our foreign financial relations are also to be seen. *As this gold movement goes further and offsets the inward movement, and as business continues to expand (along lines now quite well indicated) money rates may be expected to go gradually higher.* There are many who forecast a 6% rate for call money a good deal before the middle of the year, and when that rate has been attained they see no reason why it should not continue as long as active business is maintained. Higher rates for time funds and for commercial paper will of course accompany this advance in the price of call funds.

Time of Advance

This leaves open the question when the advance will arrive and how it will make itself felt. If left to itself, the market will doubtless go on gradually raising rates as it has been doing. But some powerful factors are now favoring an increase in the reserve bank rediscount rate. Exactly when they will overcome the opposition which will undoubtedly exist in the Reserve System and especially in the Administration at Washington with regard to any such advance, cannot of course be foreseen. What may be confidently anticipated is that an advance in reserve rates will bring about a more than corresponding advance in call money, as an immediate response to the action in putting forward the rediscount rate.

This advance in rediscount rates is, therefore, watched with great interest, because when it does come it will probably cause a "jump" in market charges which otherwise would trend slowly upward, as available funds free for market lending became less abundant. There is no reason to expect that such an advance in rediscount rates would bring about any very marked or extreme increase, because the member banks under existing reserve regulations are entirely able to obtain all the funds they want from reserve banks through general rediscounting; and, when market rates are at all high, will do so, and will then relend on collateral.

Complicating Factors

Complicating factors are found in the circumstance already referred to that bonds are on a very high level today, and are largely held by the banks. *As the demand for funds increases, both at their own counters and in the stock market, a good many banks will throw their bonds overboard in order to get cash resources with which to satisfy these sources of demand.* If they obtain a substantial return, so that they do not suffer loss through thus "dumping" their bonds, the movement will continue until the demands of the money market have been satisfied by the transfer of bonds to investment buyers who may get the cash they need by withdrawing it from savings banks or by borrowing.

In order that they may get the cash in either of these ways, they must of course make a draft on the resources of the banks, so that the effect of disposal of the present bond holdings by banks which have invested in them will simply spread out the general influence of the movement all over the country. This undoubtedly will tend to slow down and mitigate the effect of any changes in rates that may be

initiated. The banks will hardly dispose of their bonds voluntarily much beyond the point at which they can "break even."

Summary

The outlook for 1925 in the money field is thus seen to be that of slowly rising rates in the open market, the rise being accelerated as business expands. A disturbing factor tending to cause sharp advance is the prospect of action by the Federal reserve banks.

A further factor tending to retard and mitigate the advance is the fact banks are now large holders of bonds which they can dispose of when they need funds, thus spreading out the influence of any changes very widely. Bankers may expect a rising rate of interest and of discount probably during the first half of 1925, with a prospect of relative stability after that. The year should be much more profitable for them as a result of higher income from loans through larger turnover and from open market operations through higher rates. Their danger will be found in the possible loss of paper profits on bonds.

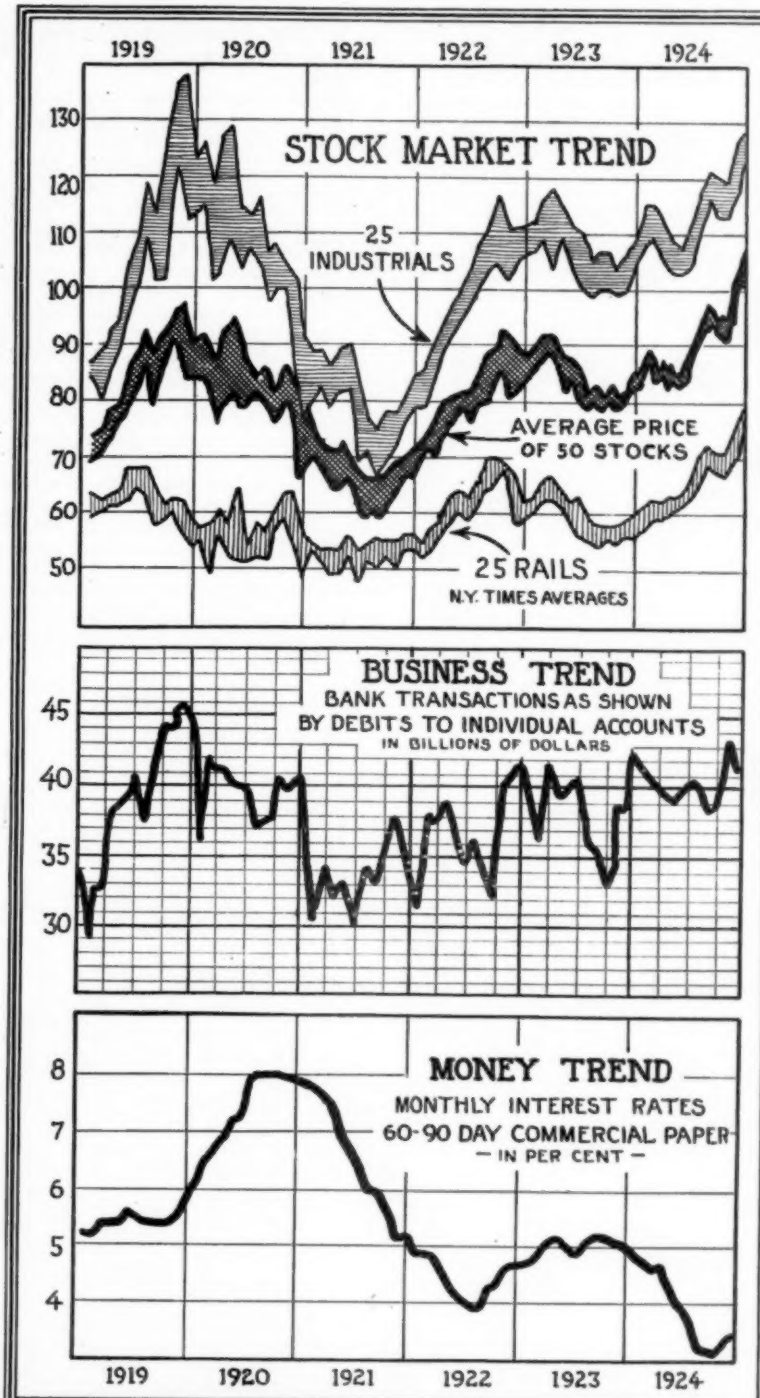
Looking into the 1925 Stock Market

Will the Market Over-Discount Favorable Business Situation?

One encounters many difficulties when he attempts to project his vision into the first half of 1925, so far as the stock market is concerned. Writing this about the middle of December, with the average price of fifty stocks around 106, the highest on record, and with many stocks making new high records daily, it is easy to be carried away by surface appearances. Conditions at present are highly favorable—very bullish, but one hardly feels that this situation will continue indefinitely. One can never say that any stock-market situation will continue for any definite length of time. If a person had his choice of one thing that he would prefer to know about the market, to the exclusion of all else, he would naturally choose to know its trend. And the best any one can do is to say: The trend is now upward; indications are that this will continue for a while at least; no one knows when it will reverse.

Confidence Restored

What at election time looked like a temporary buying craze on the part of the public, grew into a great revival of confidence and what promises to be a great improvement in business. This in turn has stimulated the demand for securities, and if a person might correctly interpret the voice of the stock market it should sound some-



This graph gives a composite view of the combined money, business and stock-market situation. The most striking feature—as evidenced by the middle graph which roughly portrays the volume of business in the United States—is that the current rise in business antedated that of the stock market by a few weeks, reversing the usual process. The recent business trend has been irregular mainly because of the usual year-end adjustments but this has not interfered with the upward stock-market movement. Generally speaking, the stock market at present is considerably ahead of business. Money rates, it will be noticed, are in an upward trend.

thing like this: Business in 1925 promises to be very good for the first half at least. Earnings will improve; dividends should be inaugurated, resumed or increased, and the stock market should go higher; all of which is subject to revision at any moment.

What the investor has to guard against now is over-enthusiasm. Admitting the tendency of the market is to look ahead several months and to discount the best that can be observed by the combined intelligence acting in and reacting to the stock market, we must never forget its well known habit of over-discounting. For example, take the case of a well-known industrial stock which recently rose forty points: perhaps half of this was a legitimate expression of improved dividend prospects; the other half undoubtetdly was nothing but the result of over-confidence in what was going to happen, combined with the momentum acquired in traversing the first twenty points of the rise. A lot of good judges thought twenty points was enough, but when the insiders saw the public running away with it they simply let them run and thus succeeded in realizing an average of about fifteen points more than they themselves thought they were entitled to. That is exactly what is likely to happen in this market before 1925 is over.

There are a number of very good reasons why there should be a considerable amount of inside distribution to the public some time during this year. First of all, no bull market may be expected to run on forever. This one has already overstayed its time. But, if, as some people say, this is a super-bull market, we must give it a chance to work off that super part of it which might mean a period of speculative excesses in which stocks are carried beyond their value.

Next, we must remember that money is likely to work higher during the year and thus affect the values relative of investment stocks. If, as Dr. Willis has pointed out elsewhere in this article, there are possibilities that call money will work up to 6% before long, then real investors for income should not be led into overstaying their market from the standpoint of investment yields alone.

Another factor will probably be the reduction in taxes on whatever profits are realized in 1925. With this in prospect many large investors, estates and institutions have delayed selling in order to get the benefit of reduced income tax rates, the first payment on which will doubtless be March 15, 1926. This prospect is one which tended to reduce the supply of stocks during the latter part of 1924, thus facilitating the marking-up process.

The post-election rise may be traced to a few main factors, such as, the election of Coolidge, easy money and restoration of prosperity on the farms; but this latter condition carries no guaranty as to what crops will be for the current year. No one can say that we shall have another satisfactory harvest, because the prices American farmers receive for their products depend upon world conditions and we must remember that last year's crop merely got the farmer out of debt; it did not make him hopelessly rich.

A Note of Caution

The speed with which our manufacturing industries restore their production to full capacity and the vast amount of that capacity which has been created during recent years, indicates that within the next few months the whole country may be hitting on all six, and when that happens these industries must guard against over-production.

The stock-market rise is also apt to result in an over-production of speculators. In fact, that condition began to appear in the rapid increase of brokers' loans recorded about the middle of December. One insider recently remarked: "The transfer books of our company show that investors realize this stock is selling for more than it is worth; therefore they are passing out their shares to speculators. The stock is going into the names of brokers who are carrying it on margin." Such a situation, when it prevails in a great number of stocks, will foreshadow an important decline, for at that time stocks will have passed from the strong hands of investors and large interests, into those of speculators who, on the average, represent weak hands because they overload on a marginal basis and eventually exhaust their own buying power. Then the Street is full of bulls. When that time arrives it will mean that the market is full of potential sellers. Experienced investors will not repurchase until stocks again approach or sell below their value. Meanwhile speculators must sell out to each other.

It will require the nicest kind of experienced judgment to detect the approach and arrival of a situation such as we have outlined.

Business Advance Will Continue Until Spring

Features of the Business Situation

No effort has been made here to discuss the outlook for business conditions a whole year in advance since the business changes which occur so frequently these later years would invalidate any conclusions that might be reached. Looking back over the past few years, it will be readily apparent to any student that only short-range forecasts have been justifiable. In 1924, for example, there were three

(*Please turn to page* 434)

What Would Happen If Gold Could Be Manufactured Cheaply?

And What Will Be the Effect of Other Developments Tending to Increase the Gold Supply?

By JOHN MANSART

New sources of production and improved refining methods portend a steady increase in the world's supply of gold—

While recent news reports indicate that the world's age-long efforts to manufacture gold in commercial quantities are nearing fruition:

What do these developments indicate? Permanent Inflation? Continued debasement of the dollar? If so, how will Bonds and Stocks—the two broad investment classes—be affected?

These questions are discussed in the accompanying interesting article.

WHAT would happen if modern chemical wizards succeeded in synthetically manufacturing gold on a commercial basis? A fanciful question perhaps, but then again, in view of the results attained in the recent experiments with mercury vapor by which an infinitesimal amount of pure gold was actually produced, perhaps not too fanciful. To those who believe such a question belongs purely to the realms of the imagination, let us point out that a quarter of a century ago the query, "What will happen when men fly like birds?" would have been received with the same indulgent smiles.

There are millions of tons of gold in the world that have never been produced. Gold is all about us, in the seawater, in clay and rock but in most instances in such small quantities that it cannot be commercially produced.

If science succeeds in producing gold in considerable quantities at small cost, science will upheave the world's entire economic structure. Governments would have to abandon gold standards and the value of money would sink to the cost of producing that upon which money is based—gold. This depreciation would be expressed in terms of rising prices for everything. The face value of money would remain the same but its *purchasing power* would be sadly depleted.

A "Reverse" Gold Panic

There would be what might be called a reverse gold panic. In ordinary panics, everyone tries to obtain gold or its equivalent but in our hypothetical instance everyone would try to get rid of gold and its equivalents. Money would share the fate of the German mark, its decline being limited, of course by the cost of producing gold.

Every sort of an obligation payable in money would be dumped overboard for what it would bring. Bonds and preferred stocks, notes, mortgages, insurance policies, loans, in fact everything that could be paid for in money would be dumped overboard and the proceeds immediately used to purchase such things as real real estate, factories, in fact tangible property of every kind. Their prices would soar to undreamed-of heights. The result would be a complete demoralization followed by a reorganization of the entire scheme of things commercial and financial. On the other hand, let us suppose that it was possible to manufacture gold but only on a basis to gradually increase the amount of gold in circulation from year to year.

Then we would have the same process with the difference that its course would be gradual instead of sudden. As a matter of fact, we can note the workings of some such process over the last quarter of a century. In the minds of economists the greatly increased supply of gold, coming chiefly from South Africa, has been an important factor in causing the present so-called high "cost of living." The purchasing power of the dollar is only between 60% and 70% of what it was a few years ago. While the late war, had a great deal to do with this, there is no doubt that the world's greatly increased stock of gold is also a very important factor. That is the main reason why it is freely predicted that the trend of prices and interest rates, over a period of years, will be upwards. That is, unless the production of gold ceases to increase.

The holder, therefore, of any instrument whose principal and rate of interest is fixed will suffer. In fact, he has already suffered and is suffering. The retired business man who in 1900 invested his income in high-grade bonds still has an income, say, of $10,000 a year in *terms of currency*, but that same $10,000 will will now only purchase what about $6,500 would have bought a quarter of a century ago.

If he invested in common stocks, and if he chose his stocks wisely, he finds himself in enviable position. He is a partner, not a creditor in one or many industries, and the increase in the market value of his securities and the additional income he gains from them makes up for the depreciated purchasing power of money. As his companies are obliged to pay more for raw materials and labor, they increase the prices of their products, i. e., make larger profits and hence are in a position to distribute larger dividends.

Not only does the investor owning only bonds suffer from the depreciated purchasing power of money but his bonds show him an actual market loss as well. For the new issues coming out at higher interest rates tend to depress the market prices of the older issues.

Edison's Idea

Several years ago Thomas Edison attracted wide attention in an interview in which he spoke of the inadvisability of owning gold bonds. Those who like to reason from cause to effect point out that Edison's most intimate friend, Henry Ford, confines the investment of his huge annual surpluses to physical properties, iron mines, railroads, forests, factories, and the like. It will be recalled that Hugo Stinnes amassed one of the greatest fortunes in the world by buying everything in sight with paper and on credit, and paying for it in constantly depreciating currency. Did those men perceive a trend in the great affairs of the world not visible to lesser eyes? Who shall say they did not?

Our Princely Philanthropists

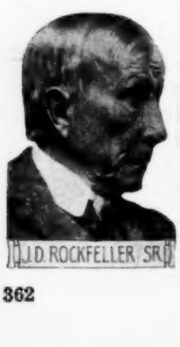
Americans the Greatest Givers as Well as the Greatest Accumulators of Wealth

WITH a stroke of the pen, two unostentatious American citizens gave away more than a twentieth of a billion dollars last month. James B. Duke, tobacco magnate, established a $40,000,000 trust fund for philanthropic purposes, including the establishment of a great educational institution in North Carolina, while George Eastman, founder and head of the Eastman Kodak Company, announced gifts totaling $12,500,000 to four educational institutions.

In other countries, Americans are apt to be regarded as a commercial, money-loving race. If being the most alert and most successful business organizers and managers is the basis for that belief, it must be allowed that is it not without foundation. What foreigners fail to appreciate, however, is that more often than not the thrill of the game and the pleasure of achievement is what drives our industrial leaders ahead, more than the material rewards to be attained. Americans work hard when they work, play hard when they play, and when they give, their benefactions astound the world.

Rockefeller's Little Joke

John D. Rockefeller has never enjoyed the reputation as a humorist which he richly deserves. For many years, the legend of Rockefeller's penuriousness was allowed to grow until his name became synonymous for stinginess, like that of "Uncle Russell" Sage. Then the world woke up one fine morning to read in the public prints that the "stingiest man in the world" had given one hundred million dollars in one lump sum to "promote the well-being of mankind throughout the world." When he was a young man in Cleveland Mr. Rockefeller and his brother were famed as practical jokers. There is not the slightest doubt in the mind of the writer that Mr. Rockefeller purposely refrained from contradicting the many silly and baseless stories of his alleged penuriousness in order to enjoy his colossal practical joke at the expense of his critics.



In the last decade the total of public gifts aggregating $1,000,000 or more, exceeds $2,000,000,000. Not many years ago this was more than the total of our national debt. The annual total of all public gifts including those hundreds of lesser donations which are mentioned only in local newspapers or not mentioned at all, is impossible to calculate. But it is putting the case mildly to say that as well as being the world's greatest accumulators of wealth, Americans are the world's greatest givers of wealth for the benefit of the many.

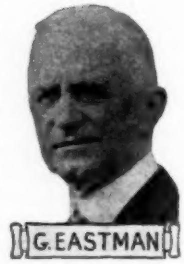
While exact figures are not available, it is the writer's opinion that the aggregate of monies given by the Americans for public purposes during the last quarter of a century, exceeds the total of similar gifts by all the rest of the world.

America's Greatest Givers of Recent Years

	Amount Bestowed
J. D. Rockefeller..	$575,000,000
Andrew Carnegie.	350,000,000
Henry C. Frick...	85,000,000
Milton S. Hershey	60,000,000
George Eastman..	59,000,000
James B. Duke...	42,000,000
Mrs. Russell Sage	40,000,000
Henry Phipps....	32,000,000
Benjamin Altman.	31,000,000
John S. Kennedy.	30,000,000
John W. Sterling.	20,000,000
George F. Baker..	12,000,000
Total....	$1,336,000,000

Our Kingly Philanthropists

In the table accompanying this article the names of the greatest givers of recent years are set forth together with the total of their gifts. John D. Rockefeller heads the list with donations of nearly three-fifths of a billion dollars, while Andrew Carnegie is next with more than a third of a billion. It is of interest to note that, without exception, the founders of the great fortunes which made such kingly gifts possible, started life as poor boys, in most instances in the most grinding poverty. Duke and Carnegie were barefoot boys. Rockefeller had shoes but not a great deal more. George Eastman began as office boy as $3 per week, while Milton Hershey started in as a printer's devil and was fired from his first job.



Not only do the Rockefeller benefactions head the list of largest givers but they are the most universal in character. The theory of the Rockefeller Foundation is that a dollar of prevention is worth a hundred dollars of cure. It seeks not so much to cure the evils of mankind as to strike at their causes.

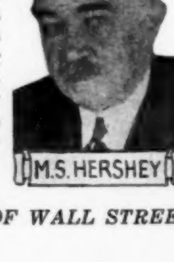
No people in the world value education higher than Americans and, as might be expected, the donations for educational purposes lead all the rest. Next come the bequests to philanthropic and religious institutions, then scientific research and after that, in the following order, art, books and music. Many bequests are a reflex from the early conditions which surrounded the donors. Hershey, an orphan, gave a mighty endowment of $60,000,000 for the benefit of orphan boys. Duke, too poor in youth to avail himself of the advantages of higher education, establishes a great educational institution where the present-day poor boys may partake of the educational advantages which were denied the founder.

Carnegie, always a lover of books, has dotted the country with Carnegie libraries, and Benjamin Altman justified his love for art by placing his priceless art treasures where the many can admire and learn.

What Will Ford Do?

The Augustean age of industry resulting from our war and post-war prosperity will, beyond doubt, produce a new crop of givers who will make Croesus look like a roadside mendicant. Henry Ford is the richest man in the world today and is daily growing richer. Money has long ceased to interest him for money's sake and, judging from the precedent established by other rich men, he will leave a legacy

(*Please turn to page* 417)



Making the Best of a Difficult Investment Situation

How the Security Buyer Can Still Obtain Better Than a 6% Return With a Reasonable Degree of Safety

By ARTHUR T. JACKSON

WITH the close of 1924 the problem of how to invest profitably has become difficult. Bond prices are high. Preferred stocks are high. Common stocks are high. This is a situation which must be discouraging to the investor with idle funds. Nevertheless, as this article shows, there are still a number of profitable avenues left open for investment. The present situation, it is true, requires a little more thought than is ordinarily necessary, but the problem is by no means insoluble. This article should particularly commend itself to individuals who have fair-sized amounts available for investment at this time, but is also intended for investors who have smaller sums. *See tables on next page.*

LET us suppose that I am one of those individuals possessing a fair-sized amount of capital that must be invested, or reinvested, under current market conditions. No matter what might be the amount of my capital—fifty thousand, twenty-five thousand, or ten thousand—I would be confronted with the problem of locating various types of securities selling around attractive levels at a time when all security groups seem to be in the selling zone.

Bonds are quoted (on the average) near the highest levels reached in the past seven years; the same is true of preferred stocks; and average prices for common shares are the highest in history. But if one shops around a bit, he can discover securities off of the beaten path that are still worth the price that must be paid and it would be possible for him to build up an investment list containing all the essential elements.

For instance, let us suppose that my present cash capital amounted to $50,000. I should want to place at least half of this into bonds. The size of my income would not make the tax-exempt feature of public bonds attractive, and after all, that is their chief investment appeal. My bond investments would be fairly evenly divided between rails and public utilities and a very few industrials would be included if they measured up to requirements.

It would be my purpose to include both listed and unlisted issues; those having a ready market and those offering the extra yield that generally goes with slow-moving securities. Each bond purchased would either return six per cent to maturity or very close to it. My idea would be to choose those securities steadily improving in regard to investment position, with the result that when bond prices head downward, as they eventually will, the bettered position of my bond holdings would warrant at least present price levels. In other words, I should expect increasing equities to offset the lower tendency of average bond prices.

Investing in Preferreds

In my estimation the preferred stocks are rather generally overrated. Industrial preferreds do not appeal to me as a group, particularly under present market conditions. Nor are many sound rail preferreds any longer on an attractive yield basis.

All my preferred stock purchases at this time, therefore, would be confined to public utilities, particularly operating organizations—not holding—companies. The preferred stock issue of a soundly managed, conservatively financed, prosperous light and power operating company may properly be classed as a high-grade investment under present conditions.

Even with junior stock issues at such unusually high price levels, I should invest at least twenty per cent of my capital in this quarter. It will be noted in the table accompanying this article that I have selected only common or capital stocks having a good degree of investment merit. All represent equities in companies long established and considered as outstandingly successful in their own particular industry. Not one of these securities has shared to any great extent in recent stock-market activity. Each offers a very fair yield based on present dividend disbursements and good prospects of extras within the next few years.

Same Procedure

While I should choose a lesser number of securities for a $25,000 investment fund, my choice would be from among the same groups. Only the three most attractive bond issues would be selected, a larger percentage of preferred stocks would be included but only the two issued of the highest grade.

My proportion of cash invested in junior securities would be approximately the same, with not more than two issues selected. In eliminating two securities previously chosen from this class, I should be inclined to leave out those having the greater speculative possibilities but lesser amount of investment merit. Necessarily, the smaller the investment fund the greater the need for safety in all quarters.

It is rather interesing to note that while the accompanying list for a $25,000 investment fund contains only the higher grade issues given in the $50,000 list, the yield to maturity is approximately the same in both cases.

For a $10,000 investment fund I should choose mainly bonds and public utility preferreds with only one common stock, American Tel. & Tel. The degree of safety attained would be further increased by decreasing the proportion of preferred stocks held with a small amount of cash placed on savings bank deposit. Despite all these safeguards, the return on the investment is still in excess of six per cent.

From all this, it should be evident that with a little bargain hunting, it is still possible to secure a fair investment return, a fair degree of marketability and a sufficient degree of diversification. One is handicapped these days merely to the extent of not being able to buy the more prominent and sought-after securities on an attractive basis, but as shown this is not necessarily a handicap, even under present conditions.

For a $50,000 Investment Fund

Par Amount	Name of Issue	Market Price	Cash Needed	Yield	REMARKS
	BONDS				
$4,000	Piedmont & Northern Ry. 1st 5s of 1954	86½	$3,460	6.00%	An absolute first mortgage on all property and equipment of small but highly successful independent railroad, electrically operated. Controlled by J. B. Duke and associates. Unusually large yield compared with degree of investment merit.
3,000	Cuba Railroad Co. 1st 5s of 1952	84	2,520	6.20	Also secured by absolute first mortgage and outstanding at very low rate per mile. The company has excellent record, large return on investment being due to geographical location.
3,000	Akron, Canton & Youngstown Ry. 1st 6s of 1930	98	2,940	6.40	An unusually good investment opportunity. The Akron, Canton & Youngstown is a "class one" steam road, serving Akron and vicinity. Interest charges are now being earned more than five times over. Mortgage is closed. The company owns valuable real estate in Akron.
3,000	Metropolitan Power Co. 1st 6s of 1953	101	3,030	5.90	Guaranteed by Metropolitan Edison Company. Is out of line with other bonds of same grade and should work to higher price levels. Secured by first mortgage on modern steam generating plant now in operation.
4,000	Arkansas Light & Power Co. 1st 6s of 1945	101	4,040	*6.30	These bonds are outstanding in the amount of $4,100,000, being followed by $7,500,000 par value of junior securities. Sinking fund should retire all bonds at 105 long before maturity.
3,000	Georgia Ry. & Power Co. 1st & Ref. 5s of 1954	91	2,730	5.60	Secured by first mortgage on entire property of the company, subject to very small prior liens on small part. Property valued at over twice total funded debt. These bonds are several points under price.
3,000	Armour & Co. R. E. 4½s of 1939	85	2,550	6.05	A good bond well protected in realty and other valuable property. Has not shared in the rise of bond prices probably due to difficulties of other packers.
4,000	Milwaukee Elec. Ry & Light Co. 1st & Ref. 6s of 1953	98	3,920	6.15	This company operates in excellent territory and under very favorable regulations. Interest charges earned over twice in each of past six years. Mortgage is open but bonds issued under good restrictions.
	PREFERRED STOCKS				
200 shs.	Niagara Falls Power Co. 7% cum. pf. ($25 par)	28	5,600	6.25	There is little possibility of price appreciation, but is a bulwark for medium size investment lists. The preferred offers larger yield than common stock of same company, which indicates a very favorable outlook.
50 shs.	Virginia Ry & Power Co. 6% Non-Cum. Pf.	88	4,400	6.50	The Virginia Railway & Power Company has an enviable position and the holders of its preferred stock have a good investment with possibilities in the way of probable future developments. Dividend requirements earned by a wide margin.
50 shs.	Wisconsin Public Service Co. 7% cum. pf.	100	5,000	7.00	An unusually progressive and prosperous public utility company with good capital structure and large earning power. Both bonded debt and preferred stock combined constitute less than one-half of property value.
	COMMON STOCKS				
20 shs.	American Tel. & Tel. Co. Capital Stock ($9 div.)	133	2,660	6.75	This is one of the few public utility junior stock issues that appear under-priced. Earnings are equivalent to less than 5% on invested capital of company but over $11 a share on stock. This fact seems to be ignored by the public, but is a good index of solid investment value.
30 shs.	Consolidated Gas Co. of N. Y. Common Stock ($5 div.)	78	2,340	6.28	Consolidated Gas is earning common dividends by a substantial margin and it should not be long before dividend rate is increased. This security generally sold on 5% basis before the war.
20 shs.	Great Western Sugar Common Stock ($8 div.)	91	1,820	8.79	Earned $18 a share in 1923 and almost as much in 1924. Has investment merit and good dividend record. Net current assets greater than par value of total capitalization. No funded debt. A real opportunity from a long-range viewpoint.
30 shs.	American Steel Foundries Common Stock ($3 div.)	43	1,290	7.00	One of the strongest rail equipment companies. Dividend earned by wide margin and prospects are favorable for larger disbursements. The stock is selling around low levels compared with other securities.
	Savings Bank Deposit	..	1,700	4.00	The amount shown as bank deposits may be reduced as favorable opportunities for purchase arise.
	Total		$50,000		

Annual income from the above investment plan would be $3,117 and the yield, 6.30%, with bond yields figured to maturity.

*These bonds should be redeemed at 105 prior to maturity through sinking fund operations.

* These bonds should be redeemed at 105 prior to maturity through sinking fund operations.

For a $25,000 Investment Fund

Par Amount	Name of Issue	Market Price	Cash Needed	Yield	REMARKS
	BONDS				
$4,000	Piedmont & Northern Ry. 1st 5s of 1954	86½	$3,460	6.00%	Bond well secured by substantial margin of safety in earnings. Interest charges earned more than twice over in each of past three years.
4,000	Arkansas Light & Power Co. 1st 6s of 1945	101	4,040	*6.30	Secured by closed first mortgage on property valued at approximately twice par value of these bonds now in the hands of public. The company is a prosperous utility operating in good territory.
4,000	Milwaukee Elec. Ry. & Light Co. 1st & Ref. 6s of 1953	98	3,920	6.15	The Milwaukee Electric Railway & Light Company is controlled through stock ownership by Wisconsin Edison Company, a subsidiary of the North American Company. Excellent management is also indicated by large and stable earnings.
	PREFERRED STOCKS				
200 shs.	Niagara Falls Power Co. 7% Cum. Pf. ($25 par)	28	5,600	6.25	There is probably no hydro-electric company in this country in a better position from an investment standpoint. Preferred stock is of the very highest grade and offers suitable return.
50 shs.	Wisconsin Public Service Co. 7% Cum. Pf.	100	5,000	7.00	This preferred stock issue is also entitled to a good investment rating. Shares could probably be secured under the market price indicated here.
	COMMON STOCKS				
10 shs.	American Tel. & Tel. Co. Capital Stock ($9 div.)	133	1,330	6.75	Every investment list containing common stocks should include a few shares of American Tel. & Tel. "Rights" from time to time increase the yield.
15 shs.	Consolidated Gas Co. of N. Y. Common Stock ($5 div.)	78	1,170	6.28	The recent rise in the price of Consolidated Gas common has not entirely discounted its possibilities. This security has genuine investment merit.
	Savings Bank Deposits	..	480		Average return is increased by keeping bank deposit down to minimum requirement.
	Total		$25,000		

Annual income from the above investment plan would be $1,564 and the yield 6.30%, with bond yields figured to maturity.

For a $10,000 Investment Fund

Par Amount	Name of Issue	Market Price	Cash Needed	Yield	
	BONDS				
$2,000	Piedmont & Northern Ry. 1st 5s of 1954	86½	$1,730	6.00%	Is sound enough to be included in any list although the amount held should be reduced where investment fund is of medium size.
2,000	Arkansas Light & Power 1st 6s of 1945	101	2,020	*6.30	This bond is also of sufficiently high grade to warrant inclusion in a more conservative list.
2,000	Milwaukee Elec. Ry & Light 1st & Ref. 6s of 1953	98	1,960	6.15	Since this issue will be in effect a first mortgage in 1931, it may also be included where safety is the paramount consideration.
	PREFERRED STOCKS				
80 shs.	Niagara Falls Power 7% Cum. ($25 par)	28	2,240	6.25	Is just as attractive an investment as many bond issues yielding smaller returns.
10 shs.	Wisconsin Public Service 7% Cum. Pf.	100	1,000	7.00	Average yield is increased without weakening the investment position. Has poor degree of marketability and for this reason only 10% of funds should be so invested.
	COMMON STOCKS				
5 shs.	American Tel. & Tel. Co.	133	665	6.75	Every investment list containing common stocks should include a few shares of American Tel. & Tel. "Rights" from time to time increase the yield.
	Savings Bank Deposits	..	385	4.00	Approximately this amount of cash should be left on deposit to provide against contingencies, due to smaller size of investment fund. If investor has adequate resources elsewhere, amount of bank deposit can be reduced.
	Total		$10,000		

Annual income would be $611 and the yield over 6%, with bond yields figured to maturity.

"The per capita wealth of the United States is $43.45"—

Your $43.45—Is It Safe?

A Plea for Better Banking

By W. STEWART ROBINSON

While the grim spectre of bank failure was stalking through the Northwest, in 1921, to have revealed the underlying causes would have been but to aggravate their effect.

"Now it can be told!" And Mr. Robinson does the telling in one of the most forceful statements it has been our pleasure to print.

PRESUMING that you have at least your share ($43.45) of the country's national wealth, are you sure that it is safe? Does your little brown-covered bank book show your deposits in a recognized financial institution of known integrity, or in the little home-town bank presided over by Bill Jones or Tom Hawkins, nice fellows and friends of yours, probably, but so often clinging precariously to the rock of commerce?

Are you one of the lucky ones who can bank the salvage from the wreck of the weekly pay envelope in the Mammoth of New York, the Colossal of Chicago, or the Gigantic of San Francisco? Or do you just shove the bills across to Bill or Tom in an Arizona mining town or a fishing village in New England, and trust to your luck?

Come out to Montana where the Yellowstone flows by a little town nestling in its inevitable cradle of sage and buttes. It is the county seat, a division point on the railroad, and has a fluctuating income from harrassed tourists when Yellowstone and Glacier Parks are open. But the chief point of interest to an observer is that it has a population of barely 2,000, while it flaunts the possession of *three banks!*

Rather, it used to, for one by one their doors were closed by order of the State Bank Examiner last winter. Poor crops and bad judgment were the contributing causes of such action. But, regardless of the plausibility of the reasons set forth by the "banks" for the cessation of business, the fact remains that the shopkeepers, railroad men and farmers simply had to grin and bear it.

A Typical Case

The case of one of these "bankers" is typical. Yellowstone Jack, which is as good a name as any other, was a cattleman—a real, dyed-in-the-wool specimen, with full and complete knowledge of how to improve his stock, to breed them, feed them and, most important of all, how to carry them through the bitter Montana winters with the fewest possible casualties. All these things Yellowstone Jack knew.

Then automobiles became a necessity for a rancher. His wife and daughter began to appear more regularly in the little town where Jack's increasing status as a cattleman brought them more attention than they had ever known. They were not getting any younger; the bleak, drab winters of the years gone by entitled them to rest and enjoyment now, cattle prices were high—thus urged Yellowstone Jack's womenfolk, not forgetting to stress the dignity of the social recognition a banker commands. For the urban lure of a Montana railroad town is as urgent as the call of New York when your life has been spent beyond its borders with perhaps but a semi-annual glimpse over the rim at its manifold attractions.

So Yellowstone Jack cashed in for a couple of hundred thousand, and in a few short weeks opened his bank, complete with its charter, a bookkeeper from Denver, a young man who had learned the intricacies of typewriting and filing in Tacoma, and a combination clock and burglar alarm over the entrance.

A Popular Banker

Times were good. Some newly allotted government land had yielded an unheard-of crop. Oil was being sought within a hundred miles—everything seemed to bear out the glowing promises of various Chamber of Commerce pamphlets which constituted Jack's principal reading material.

And then he was popular—not one of your tight-fisted bankers of tradition. For instance, his old friend Pete, a wheat farmer, applied for a loan, and after draping himself uncomfortably around a chair, allowed he needed some money to take better advantage of the prosperity that was crowding in upon him. Another piece of land, more farm machinery, more irrigation ditches, etc.—well, about ten thousand would be about right.

"Ten thousand!" bellowed Jack. "That's not enough. You must expand properly and you can't do it on less than twenty." And twenty thousand it was.

Even in our most offensively hustling communities and on our most excellently tended cattle ranges and wheat fields, the grace of God plays a part that cannot be ignored. A few years of poor crops, of heavy losses on the range in winter, the sinking of innumerable dry holes in the hoped-for oil fields all helped to put a crimp in Jack. His open-handed way of putting a thousand or two here and there as a personal affair had yielded poor dividends. There was a little good will, perhaps, but more often a whispered belief that he was an easy mark.

Most of the ranchers and some of the shopkeepers hadn't been able to take up their notes, and Jack, kind hearted and always trusting to the best, had discounted them at Minneapolis and Seattle banks. But, although big banks may do business with little banks, they do not stand behind them forever. So, as no purely local bank in a little town can be any stronger than the community surrounding it, Yellowstone Jack's bank closed its doors.

Further south, a millionaire lumberman maintained a string of seven banks as an adjunct to his business in the little towns that parallel the tortured course of the Bayou Bartholomen as it winds its way through Arkansas and Louisiana. On his death, his son took these over as part of his inheritance, but the lights of New Orleans had a stronger pull than the fever-wreathed mists of the Bayou.

And the little banks began to close one after another.

North and South, East and West, the 300 odd bank failures last year had the same result to the little depositor. Concisely, it meant that the clerk, the mechanic, the school teacher, the vast army called "the man in the street," of which you and I are part, could no longer look forward to a slowly growing savings account as an asset. Their bulwark for the future, sometimes the immediate future, had disappeared. All that remained was the doubtful reassurance obtained at a creditors' meeting.

Is It Inevitable?

Should this be an inevitable necessity in the United States of America? Supposing each of these three hundred banks had a minimum of 250 accounts, should 75,000 people be exposed to banking loss through incompetency, inadequate resources and legislation aimed to support the well-turned phrase that "America is the land of opportunity"?

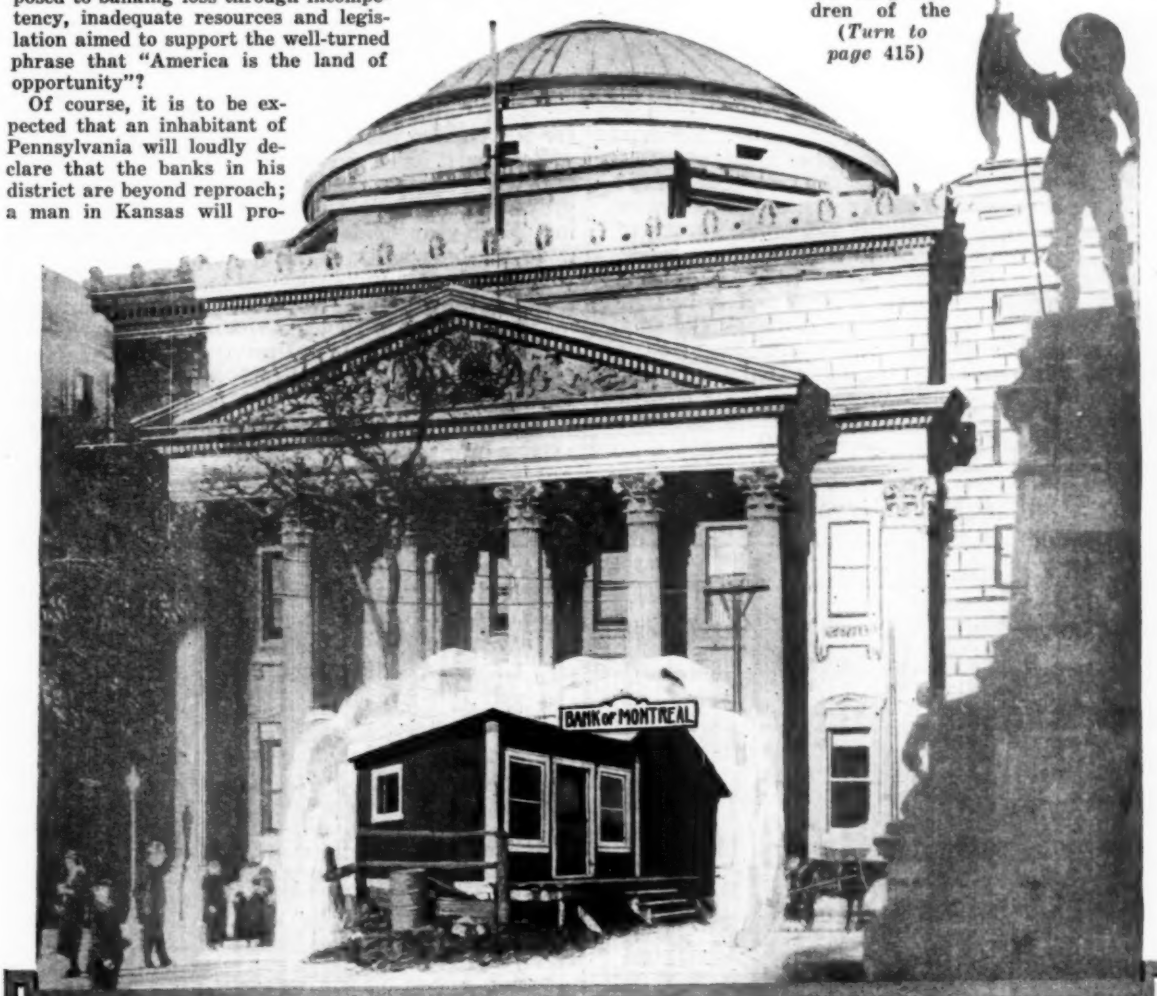
Of course, it is to be expected that an inhabitant of Pennsylvania will loudly declare that the banks in his district are beyond reproach; a man in Kansas will proclaim that the little bank is all that keeps Wall Street from bolting our financial system at one gulp; or an impassioned Native Son will take his oath that there has never been a failure in his sun-filtered paradise for the last hundred years. All well and good, but there are forty-eight states in this land, and in every one the need for the man who saves a little is the same—SECURITY.

How They Do It in Canada

Turn to the North—to the Dominion of Canada. Everyone who has travelled through the country with his eyes open has not failed to be impressed by the ramifications of the large banks, having their headquarters in Montreal and Toronto. Canada is a noteworthy example of the branch banking system, having 23 principal banks with over 2,200 branches, and six of the largest do over half of the entire banking business of the country.

The coal miner in Nova Scotia, the woodsman in Quebec, the rancher in Alberta, the fisherman in British Columbia simply walk into the nearest branch, make their deposit and forget about it. It may be the Bank of Montreal, the Royal Bank of Canada, the Bank of Toronto, or one of a dozen others. At all events he feels safe. They did business with his grandfather and will doubtless carry on with his grandchildren. Trade, they say in England, follows the flag. In Canada the banks, one half of trade, follow the other half, which is raw material.

Coal in British Columbia, asbestos in Quebec, gold in Ontario—the discovery of any of these did not antedate by many days the establishment of a branch bearing the name of one of the famous old institutions. Sometimes in a tent, often in a rickety shack, these far flung children of the (*Turn to page* 415)



"The Canadian reading a well-known name nailed up above a shack on the fringes of his country, sees not merely the makeshift quarters of "The new branch" but bulking large behind it the Head Office—impressive with the dignity of a business record stretching back over 100 years. In other words, he feels SAFE."

American Tel. & Tel.

The World's Premier Investment Stock

A Heart-to-Heart Talk With Investors About Investment Principles and How They Apply to A. T. & T.

By "THE OLD TIMER"

> ***If the future of American Telephone & Telegraph may be judged by its past, the stock should continue indefinitely to be what it is today—an eminently suitable vehicle for investment.***

I WANT to talk to some of you investors who are paying 83 for Baltimore & Ohio, a 5% stock, and 120 for Atchison, a 6% stock, or 152 for Canadian Pacific, a 10% stock, to say nothing of other issues selling at prices at least not justified by their *present* dividends. I am not saying that some of these stocks will not have their dividends increased, nor am I forgetting the possibilities of those "important developments" that we are now hearing so much about.

But aren't you investors overlooking something?

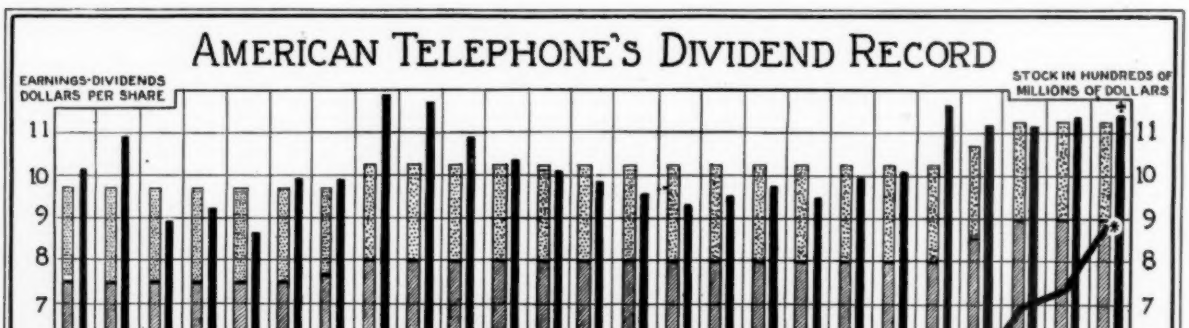
In buying investment stocks you, of course, know all the old adages—safety of principal, surety of interest, and as much protection as you can get against serious shrinkage in earnings or assets. When you go into many railroad and industrial stocks, especially when you buy in times like this, you have no positive assurance that next year's earnings will not fall off rapidly; that their dividends will not be reduced, or that the black rust or the Hessian fly will not play the deuce with the farmers' prosperity or some other blooming thing will come along to put your market quotations 'way down again.

Here's a stock that is right under your nose; selling at 130, paying 9% per annum in regular quarterly dividends of 2¼% each. The present company and its predecessor paid uninterrupted dividends of not less than $7.50 per annum for forty-three years. Can you beat that?

Besides, it has a monopoly of its field—an actual, and what is more, a legal monopoly. Its business grows in good times and bad, but never stops growing. Each year yields larger net earnings, and there is no reason why this should stop.

Its product is indispensable to modern business, social and home life. Nowadays we could not anymore get along without it than we could without automobiles, busses or railway trains.

Perhaps you have guessed what I am talking about. *It is the premier investment common stock of the world—American Telephone & Telegraph.*



And here it is selling below Lackawanna, now 146, a $6 stock, American Can, 160, a $5 stock (for the present at least), and only a little above U. S. Realty, an $8 stock and not so good.

I suppose if American Telephone were pushed up and down and around like American Can, Baldwin and some others which cavort, more attention might be paid to it; but everybody seems to step over it in reaching for other supposed bargains. At 130 it nets about 6.9%. Lots of things with a smaller net return are not nearly so well secured; don't begin to have as good prospects.

But that is not all the story by any means.

Trace back to 1900 when American Telephone & Telegraph Co. took over and gave its own shares for Bell Telephone Co. stock, and you will find that in this period stockholders have been given "rights" to subscribe on nine separate occasions and that these rights had a market value as follows:

Year	*High*	*Low*
1901	18	15⅛
1902	15¼	14
1903	6¼	5
1907	0¾	0¼
1911	7¼	5¼
1916	2⅛	1⅞
1921	0⅞	0¼
1922	4⅝	2⅜
1924	4 7/16	2 15/16

The average between the high and low prices for each of these years gives a total of over $52 a share for these rights during the twenty-five year period. This means an average of over $2 a share per annum in value of these rights, in addition to the regular cash dividends. During this quarter of a century, these, as I have stated, ran never less than $7.50 to $9 a share.

While no one can say just when or how often or what value the succeeding awards of rights will occur in the coming years, this must be admitted: that the company is bound to continue its policy of building steadily, and planning ahead four to five years. It is preparing for more business, not less. Ten years ago there was one telephone to every twelve persons in this country. Now there is one 'phone to each seven persons. And everybody knows we all use every telephone more and more every year. The company's earnings do not fluctuate like those of U. S. Steel, Standard of New Jersey, nor even Union Pacific. They simply grow.

In 1902, when it was paying only $7.50 per annum, this stock sold at 186. With $1.50 less dividend it sold 50 points higher than now. Regardless of the value of its occasional rights, a stock like Telephone, with all the assurances that surround it, with all its tremendous assets and vast hidden earning power, should be selling in this market on a 5½% basis; that means it is many points too low now. But if we consider the value of the rights which have averaged over $2 per share per annum, it is entitled to sell at even a higher price.

This is not to say that the stock is going up. I don't know whether it is or not, nor when. That it should go up on its intrinsic value is plain to any man who will dig into its present situation and future prospects.

Do you realize what would have happened if you had bought 100 shares of American Telephone in 1902, at, say, 162, held it all these years and subscribed to all the rights that were offered below the current market price in each case? Read the table given herewith. It will show you that your holdings would gradually have increased until now they would total 526 shares, which, at present price, 130, would be worth $68,380, indicating a paper profit of $9,580. Meanwhile your cash dividends would have amounted to $50,804.25. Adding the present value of these 526 shares to the total dividends, you would actually have received and you would now possess dividends and securities to a total of $119,184 on an original investment of $58,800!!!

That's the kind of company to tie to!

How an Investor in American Telephone Might Have Doubled His Capital by Saving Dividends and Exercising Rights

					Initial Investment	Divs. for Year
1901	Bought	100	shares	@ 162	$16,200	$750.00
	Subscribed to	33	"	@ 100	3,300	
1902	Held	133	"		19,500	997.50
	Subs. to	33	"	@ 100	3,300	
1903	Held	166	"		22,800	1,245.00
	Subs. to	33	"	@ 100	3,300	
1904	Held	199	"		26,100	1,492.50
05						1,492.50
06						1,542.25
1907	Held	199	"		26,100	1,592.00
	Subs. to	33	"	@ 100	3,300	
1908, 09, 10	Held	232	"		29,400	5,268.00
1911	Held	232	"		29,400	1,756.00
	Subs. to	46	"	@ 100	4,600	
1912, 13, 14, 15	Held	278	"		34,000	8,896.00
1916	Held	278	"		34,000	2,224.00
	Subs. to	27	"		2,700	
1917, 18, 19, 20	Held	305	"		36,700	9,760.00
1921	Held	305	"		36,700	2,592.50
	Subs. to	61	"		6,100	
1922	Held	366	"		42,800	3,294.00
	Subs. to	73	"		7,300	3,294.00
1923	Held	439	"		50,100	3,951.00
1924	Held	439	"		50,100	3,951.00
	Subs. to	87	"		8,700	
				Total Inv'm't	$58,800	
Current M'ket Value		526	shares	@ 130	68,380	
	Indicated Profit				$9,580	
	Total Dividends					$50,804.25
	Added Paper Profit					9,580.00
	Realized on $58,800 Investment					$60,384.25

Bonds

Are You Using the Bond Buyers' Guide?

What This Service Feature Does for Investors—Its Remarkable Record in 1924—How It Should Be Used and By Whom

WHAT is the Bond Buyers' Guide?

"Is it merely a record of the price-careers of a few selected bonds—or is it actually a table of current recommendations?

"If it is a table of current recommendations, how should it be used—and by whom? That is to ask, are the recommendations it contains intended only for certain distinct kinds of investors or are they intended for investors in general?

"How have its recommendations panned out in the past? Has the Guide been accurate and its compilers far-sighted, or have its results been merely mediocre?"

These questions—or questions like them—have probably occurred to many of the newer readers of The Magazine. It is some time since any description of the purposes of the Guide was published in these columns, and no doubt some of these purposes and characteristics have been lost upon those who have only recently joined THE MAGAZINE OF WALL STREET ranks.

Under the circumstances, it seems desirable to publish at this time a brief description of the Guide. As one of the most valuable, serviceable and widely-appealing features of The Magazine, it should be known to and understood by all.

What Is the Bond Buyers' Guide?

No more accurate or concise description of the Guide could be given than that contained in its name. It is, in the truest sense, a guide for Bond Buyers. It is a service feature (one of the many service features) of THE MAGAZINE OF WALL STREET. It is found in these columns alone. Its broadest purpose is to steer those contemplating bond investments into the purchase of issues peculiarly suited to their purposes.

As a perusal of it will show, the Guide is divided into three large groups. These groups are termed High Grade, Middle Grade and Speculative.

In the High Grade group are inserted the best bonds to be had—issues which are believed to enjoy so high a degree of security as to be appropriate for the investment purchases, even, of widows and orphans.

The Middle Grade group is made up of high-grade bonds falling only a little, if any, below the first group in respect to safety. The group represents issues which seem to be ideally suited to the bond-buying requirements of those who wish good investments that will, at the same time, return a slightly better yield than that to be had from the Highest Grade group.

The Speculative group is composed

Some of the Bond Buyers Guide's Recommendations in 1924

Showing Market Course Pursued by (1) *Bonds Originally Entered in Guide and Subsequently Dropped;* (2) *Bonds Entered and Retained;* (3) *Bonds Out of or Into Which Switches Were Advised.*

BONDS DROPPED FROM GUIDE

High-Grade Issues—	Entered in Guide at This Price	Removed at This Price	Points Advance
Canadian Northern deb. 6½s	111½	116½	5
Bush Terminal Bldg. 5s	85	97½	12½
Middle-Grade Issues—			
Car., Clinch. & Ohio 5s	92	100	5
Erie & Jersey 6s	88	103	15
Goodyear Tire & Rubber 8s	114½	118½	4
Speculative Issues—			
Seaboard Air Line 1st 4s	58¼	72	13¾

BONDS RETAINED IN GUIDE

Middle-Grade Issues—	Entered at This Price	Recent Price	Points Advance
Ches. & Ohio conv. 5s	88	106	18
Western Pacific 5s	81	90	9
Pan-American Petroleum 6s	97	103	6
Am. Water Works 5s	83½	92½	9
Manhattan Rwy. 4s	54	64	10
Speculative Issues—			
Chicago, Great Western 4s	49	60	11
Mo., Kan. & Tex. adj. 5s	52	77	25
Rock Isld., Ark. & La. 4½s	74½	87	12½
Empire Gas & Fuel 7½s	89	97	8
Chicago Rwy. 1st 5s	74	83½	9½

SWITCHES RECOMMENDED

		Recent Price	Decline	Advance
From:	C. & E. I. 5s at 73	76	....	3
To:	M., K. & T. adj. 5s at 63	77	....	14
From:	Utah Pr. & Lt. 5s at 90	91¼	....	1¼
To:	Comm. Pwr. 6s at 91½	97	....	5½
From:	Chile Copper 6s at 108	108	....	....
To:	Pan. Am. 6s at 97	103	....	6
From:	Duquesne Lt. 6s at 106	105¾	¼	....
To:	Laclede Gas 5½s at 93½	95½	....	2
From:	Wilson & Co. 7½s at 88	55	33	....
To:	St. L. & S. F. adj. 6s at 72	86	....	14

of bonds suitable for business men who are willing to take a varying measure of risk in return for the higher yields and possibilities of principal enhancement which issues in this class contain.

Thus, it will be seen that the interests of all types of Bond buyers are considered in compiling the Guide: Highest grade issues for the most conservative class. Middle Grades for those desiring higher yields with little if any more risk. Speculative bonds for those who seek higher yields and possibilities of principal enhancement in the bargain.

Always Up-to-date

The Guide is always current and up-to-date. It is far from being merely a record of the price-changes occurring in a static and never-changing selection of securities.

This fact will be more apparent to those who have followed the Guide over a period of time, and who have noted the frequent changes, substitutions, removals, etc., effected in it. The Guide is prepared, every two weeks, for publication in THE MAGAZINE OF WALL STREET much as though each insertion were the first to appear. The securities included in each group are not merely those which appeared in the same group in some previous issue. They are the bonds which, at the time the compilation is made, seem most appropriate for inclusion in the group in question.

How to Use the Guide

In using the Guide, the investor might well follow something of the following procedure:

Let him decide, first, which of the three classes of bonds is most appropriate to his needs and position in life. Thus, if he must minimize the risk assumed, he will decide in favor of the High Grade Group, and so on down.

Let him then examine the securities listed in the Guide and falling in the particular Bond Class which he has in mind.

Let him then decide which of the securities listed in that particular class are most desirable from his particular point of view—with due and proper consideration for the principle of diversification, the yields in which the bonds are available, etc., the available income return, etc. (most of which factors, by the way, are figured out for him in the Guide itself).

Let the investor then read the comment which is regularly published in a column of text appearing alongside the Guide and ascertain therefrom what the comparative market position is of the bond class he has in mind, whether there are any distinctive features among the bonds included in that class, etc. (This last step, by the way, is of great importance. Obvi-

(*Please turn to page* 414)

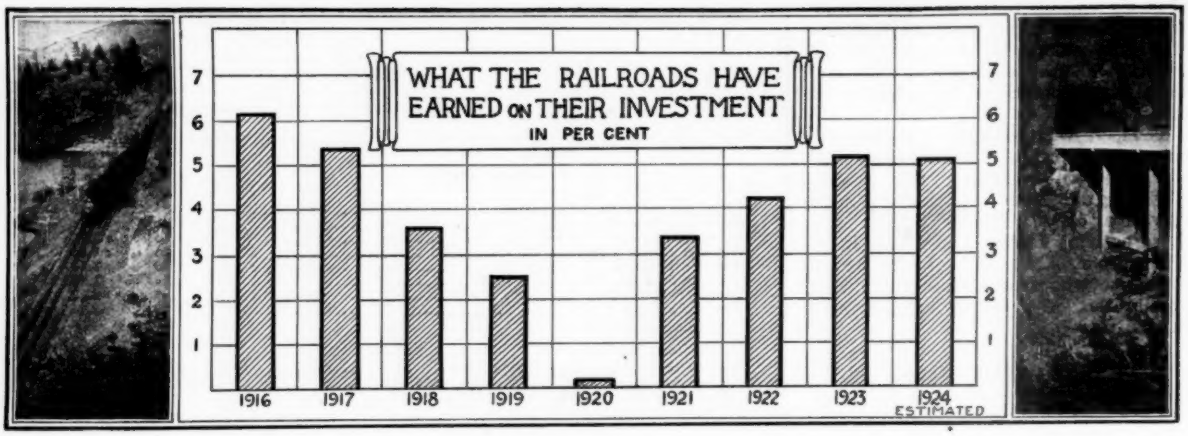
BOND BUYERS' GUIDE

(Bonds listed in order of preference)

		Apx. Price	Apx. Yield	§Int. earn'd on entire funded debt
HIGH GRADE (For Income Only)				
Non-Callable Bonds:				
Great Northern Genl. 7s, 1936	(c)	109	5.95	2.88
Atlantic & Danville 1st 4s, 1948	(a)	76	5.90	....
Indianapolis & Louisville 1st 4s, 1956	(a)	77	5.55	e 1.75
Western Union Telegraph Co. 6½s, 1936	(a)	110½	5.25	e 6.85
New York Edison Co. 6½s, 1941	(b)	113½	5.20	3.30
Chicago & Northwestern 7s, 1930	(b)	107½	5.25	1.89
Delaware & Hudson 7s, 1930	(b)	108½	5.20	2.10
New York Dock Co. 4s, 1951	(a)	78½	5.60	2.70
Callable Bonds:				
Armour & Co. Real Estate 4½s, 1939	(a)	85½	5.95	....
Laclede Gas Light Coll. & Rfd. 5½s, 1953	(c)	95½	5.75	1.41
Philadelphia Company 6s, 1944	(c)	102½	5.80	3.50
Canadian General Electric deb. 6s, 1942	(a)	107	5.35	g 3.80
MIDDLE GRADE (For Income and Profit)				
Railroads:				
Cuba R. R. 1st 5s, 1952	(a)	83½	6.25	2.45
St. L. & S. F. Prior Lien 4s, 1950	(c)	71½	6.30	1.25
Western Pacific 1st 5s, 1946	(c)	90	5.80	2.40
New York, Ontario & Western 4s, 1992	(a)	68	5.90	2.00
Missouri Pacific 1st & Rfd. 6s, 1949	(b)	99½	6.05	1.20
Baltimore & Ohio Convertible 4½s, 1933	(b)	89½	6.20	1.35
Baltimore & Ohio Rfd. 5s, 1995	(b)	85½	5.80	1.35
Missouri, Kansas & Texas Prior Lien 5s, 1962	(c)	85¾	6.00	1.10
Boston & New York Air Line 4s, 1955	(a)	67	6.45	....
Kansas City Southern Rfd. and Imp. 5s, 1950	(a)	88¾	5.90	1.90
Minneapolis, St. Paul & Sault Ste. Marie 6½s, 1931	(a)	102½	6.00	1.50
Rutland R. R. 1st 4½s, 1941	(a)	85½	5.90	1.75
Chesapeake & Ohio conv. 5s, 1946	(b)	106	4.60	1.65
Industrials:				
South Porto Rico 1st Mtg. and Co. 7s, 1941	(b)	102	6.75	2.20
Sinclair Pipe Line 5s, 1942	(b)	83½	6.60	g 2.50
Goodrich, B. F., Co. 1st 6½s, 1947	(b)	100	6.50	e 2.40
Pan Amer. Petroleum & Transport conv. 6s, 1934	(c)	103	5.60	25.00
California Petroleum Corp. 6½s, 1933	(c)	101	6.25	4.80
International Paper Co. 5s, 1947	(a)	87½	6.00	3.50
U. S. Rubber 5s, 1947	(c)	85	6.20	2.05
Bethlehem Steel Co. 5s, 1936	(a)	90½	6.20	f 2.30
Armour & Co. of Del. 1st 5½s, 1943	(c)	91	6.30	....
Anaconda Copper Mining Co. 1st 6s, 1953	(b)	99	6.10	g 1.25
Union Bag & Paper Co. 6s, 1942	(b)	96	6.30	f 4.40
Public Utilities:				
Manhattan Railway Cons. 4s, 1990	(a)	64	6.25	g 0.90
Amer. Water Works & Elect. Corp. Col. 5s, 1934	(c)	92½	6.00	2.40
Ohio Public Service 7s, 1947	(c)	107	6.40	f 2.00
United Fuel Gas 6s, 1936	(b)	98	6.15	e 2.70
Virginia Railway & Power 5s, 1934	(a)	93½	5.90	2.00
Hudson & Manhattan Refunding 5s, 1957	(c)	87½	5.90	2.60
American Gas & Electric 6s, 2014	(c)	95	6.30	2.00
Kansas Gas & Electric 6s, 1952	(b)	98	6.10	1.80
Havana Elec. Ry. Light & Power 5s, 1954	(a)	86	6.00	5.00
American Power & Light Deb. 6s, 2016	(c)	94	6.40	3.00
Commonwealth Power Corp. 6s, 1947	(c)	97	6.20	4.50
Dominion Power & Transmission 1st 5s, 1932	(a)	93	6.00	2.10
Manitoba Power Company 7s, 1941	(c)	98½	7.10	....
SPECULATIVE (For Income and Profit)				
Railroads:				
Erie Genl. Lien 4s, 1996	(b)	63½	6.40	1.81
St. Louis & San Francisco Adj. Mtg. 6s, 1950	(c)	86½	7.05	1.25
Missouri, Kansas & Texas Adj. Mtg. 5s, 1967	(c)	77	6.65	1.10
International Great Northern Adj. 6s, 1952	(c)	69	6.50	....
Chicago Great Western 1st 4s, 1959	(a)	60	7.10	0.85
Western Maryland 1st Mtg. 4s, 1952	(a)	63½	7.00	1.20
Rock Island, Ark. & Louisiana 1st 4½s, 1934	(c)	87	6.25	....
Industrials:				
Cuba Cane Sugar 7s, 1930	(c)	94½	8.20	2.15
Empire Gas & Fuel 7½s, Series "A" 1937	(c)	96½	7.90	3.30
International Mercantile Marine 6s, 1941	(b)	89	7.10	2.60
American Agricultural Chemical Co. 7½s, 1941	(b)	95	8.00	....
Public Utilities:				
Brooklyn-Manhattan Transit 6s, 1963	(c)	83	7.30	f 1.50
Chicago Railways 1st 5s, 1927	(a)	83½	14.75	1.08
Hudson & Manhattan Adj. Income 5s, 1957	(b)	68½	7.70	2.00
Interboro Rapid Transit 5s, 1966	(a)	68	7.50	0.90
Third Avenue Railway Rfd. 4s, 1960	(b)	57	7.50	i 1.35

* Principal and interest guaranteed by Dominion of Canada. † Callable in 1951. ‡ Callable in 1936. § This represents the number of times interest on the companies' entire outstanding funded debt was earned, based on earnings during the last five years. Includes government payments during period of government operations of railroads.

(a) Lowest denom., $1,000. (aa) 1922. (b) Lowest denom., $500. (c) Lowest denom., $100. (d) Lowest denom., $50. e Average last three years. f Average last two years. g Average last four years. i Does not include interest on adjustment bonds.



What Will the Rails Do in 1925?

A Comprehensive View of the Rail Situation With a Note of Warning to Investors

By JOSEPH M. GOLDSMITH

AT no time in recent years has the railroad outlook appeared as bright as at present. The railroad performance of last year gave repeated evidence of the efficiency with which the carriers are being operated. Their physical properties are in excellent condition. Service rendered has never been surpassed in this or any other country. Rehabilitation of railroad credit is progressing rapidly. Danger of political interference has been removed by the decisive defeat of the radical element at the late presidential election.

Earnings in 1924

In order to reach some conclusion as to the railroads' probable earning power in 1925 it is necessary to review briefly the record of the past two years. In 1923, net operating income —which is the sum available after the payment of all operating expenses, taxes and rents, but before interest charges—amounted to 975 millions. This was the best year since 1916. In 1923, the volume of traffic established a new record and gross revenues were at the highest point in history.

On the basis of results for the first ten months of 1924, net operating income will be close to the billion mark. It amounted to 805 millions for the period ending October 31, compared with 826 millions in the same period of 1923. The last two months probably showed more favorable earnings than the corresponding months of the preceding year. It is quite likely that the 975 million figure which was secured in 1923 has been passed.

Gross revenues for the first ten months of 1924 were 6.7% below those in the same period of the former year. Starting with April, 1924, the volume of business was substantially below that of the preceding year and remained so until October. The dullness in business which prevailed during the past spring and summer accounts for this decline. By October, however, railroad traffic passed that of 1923 and a new high mark in car-loadings was reached. In the week ended October 25, for example, loadings amounted to 1,112,345 cars which was greater than for any previous week in history. This record business was handled without any car shortage.

Reduction in Operating Expenses

The fact that net operating income has held up so well in the face of a 6.7% decline in gross revenues is worthy of more than passing comment. The explanation is to be found in the lower operating costs. A decline in the volume of business normally increases the per-unit cost of handling it, but this was not so last year. Where in 1923 about 78 cents out of every dollar of gross revenues went to pay operating expenses, in 1924 it was necessary to expend only about 76 cents. The decrease was brought about by spending smaller sums on maintenance and by reducing the amount required to operate the trains.

The fact that expenditures on maintenance have declined does not mean that the physical condition of the properties has suffered. The supplies put into maintenance of way and structures have fallen in price since 1923 and this factor resulted in large savings to the railroads. Rails, ties and other materials have been purchased on much more favorable terms than during the previous year. Although the wages of railroad labor have not been reduced, the greater efficiency that has been secured has enabled the roads to do an equal amount of work with fewer men. In September, 1923, there were 1,945,917 railroad employees while in September, 1924, the number had been reduced to 1,801,296. The traffic handled in the latter month was approximately as heavy as in the former.

The amount spent on maintenance of equipment was also lower because there was not as much work to be done as in 1923. In the early part of that year the percentage of bad-order equipment was high because the effects of the shopmen's strike had not yet been overcome. In order to restore it to a serviceable condition it was necessary to spend more than would be normally required.

By 1924, all this deferred maintenance had been made good and the percentage unserviceable was low. On November 15, 1924, of the total locomotives 18% were unserviceable, and 8% of the cars were in need of repair. These percentages are comparatively low and prove that in spite of the smaller sums spent on maintenance of equipment the railroads' motive power and rolling stock has been kept up to a high standard. The carriers entered 1925 with no important back maintenance of equipment to make up.

Decrease in Fuel Costs

The railroads' fuel bill constitutes over 10% of their total expenses. A

decrease in this item naturally has a considerable effect upon net income. The decline in the cost of coal is one of the most important reasons why the operating ratio for 1924 has been reduced.

Average cost of coal which the carriers consumed in 1923 was $3.46 per ton. For the first nine months of 1924, the average cost had declined to $3.10 per ton. In September of that year, the railroads were purchasing coal at an average cost of only $2.91 per ton. This represents a 16% decrease from the average price paid during 1923.

This and other declines in operating costs explain the large net operating income which the roads have secured during the last few months. *In October, with gross revenues 3% under last October, net operating income was 22% ahead.* The roads were unable to take advantage of the lower operating costs during the early part of the year due to the reduced volume of traffic. Since the revival in business, however, the lower cost of handling the traffic is resulting in a highly satisfactory net operating income.

Having reviewed the railroad performance of the year just closed, what is the outlook for the year 1925? The logical item to consider first is the probable trend of gross revenues. They depend upon two factors, namely (1) the volume of traffic, and (2) the rates under which it is carried.

Will Traffic Reach New Peak?

There has been evidence during the last few months of a decided upturn in business. Unfilled steel orders have increased in spite of a speeding up in operation of the steel plants. The Steel Corporation in the middle of December is operating at 83% of capacity as compared to less than 50% during the summer months of 1924. The price of copper is advancing, indicating a greater demand for the red metal. The Department of Commerce's index of manufacturing output is rising at an accelerated pace.

It is impossible of course to prognosticate the duration of this business revival. It is quite logical to assume, however, that it will extend through a good part of 1925. With industry at anything like the present state of activity the railroads are assured of a good-sized traffic.

One could not be called overly sanguine were he to predict that total car-loadings for 1925 will shatter all previous records. In 1923, they amounted to 49,815,000 cars, which is the best year to date, while in 1924 they were about 48,500,000 cars. *It will not be at all surprising if car-loadings for the coming year get well above the* 50,000,000 *mark.* The normal course of railroad traffic is upward and each year of good business results in a new car-loading record.

The rate situation is rather difficult to predict with any assurance. It depends of course upon the attitude taken by the Interstate Commerce Commission. No general rate decisions were made during 1923, the Commission contenting itself with the revision of specific rates to eliminate maladjustments between communities and commodities.

The Commission in its recent annual report to Congress stated in part that, "As the annual net operating income of the railroads has been recently less than one billion, it is safe to say that the return of 5¾% upon fair value is not being received by the carriers." The exact return on investment cannot be computed as the work of valuation has not been completed. On the basis of the Commission's tentative valuation, the return was 5.10% in 1923 and slightly less in the past year.

It would seem improbable that the Commission would be disposed to order any general downward revision of rates until their net operating income exceeds the fair return specified by the Transportation Act. To earn 5¾% the carriers would have to obtain a net operating income of over $1,100,000,000. *The attitude of the Commission is not hostile to the railroads and in its recent decisions it has shown a desire to protect their interests as well as those of the traveling and shipping public. There is no reason to anticipate any general rate reductions unless conditions actually warrant such a policy.*

Prospects of Net Operating Income

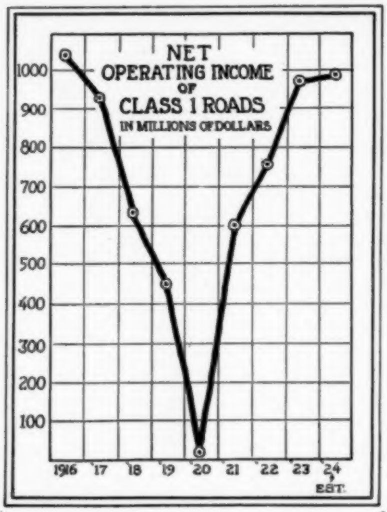
With large gross operating revenues probable, what improvement in net operating income is to be expected in 1925? Even without a further reduction in the operating ratio, an increase in gross revenues would automatically create a larger net income. The greater volume of business should also make it possible for the railroads to handle it at a lower cost per unit. Heavy traffic makes possible more efficient loading of cars and more cars per train. This reduces the transportation cost per ton mile and is reflected in a lower operating ratio.

The cost of the fuel and materials and supplies which the roads buy may rise slightly above the levels now prevailing. A revival in business usually brings with it some rise in the price level. It is not likely that the rise in prices will reach any great propor-

How Leading Railroad Stocks Compare

	Earned per share on common, 1924	Approximate market price	1924 Earnings in per cent of market price
Atchison	$13.60	119	11.4%
Atlantic Coast Line	18.80	150	12.5
Baltimore & Ohio	10.50	84	12.5
Canadian Pacific	11.40	151	7.6
Chesapeake & Ohio	17.60	96	18.4
Chicago, Rock Island & Pacific	2.80	47	5.9
Chicago Northwestern	6.10	75	8.2
Delaware & Hudson	14.10	133	10.6
Delaware, Lackawanna & Western	9.00	144	6.2
Erie	5.50	32	17.2
Great Northern	6.60	73	9.1
Illinois Central	17.90	116	15.4
Kansas City Southern	4.30	37	11.6
Lehigh Valley	6.40	77	8.6
Louisville & Nashville	12.20	106	11.5
New York Central	15.00	117	12.8
New York, New Haven & Hartford	1.8	32	5.9
Norfolk & Western	11.20	130	8.6
Northern Pacific	6.50	71	9.2
Pennsylvania	4.50	48	9.2
Pere Marquette	7.80	70	11.1
Reading	8.50	77	11.0
St. Louis-San Francisco	9.80	63	15.5
St. Louis Southwestern	8.20	54	15.2
Southern Pacific	10.90	104	10.4
Southern Railway	10.70	77	13.9
Texas & Pacific	6.20	46	13.6
Union Pacific	15.10	149	10.1

* Annual rate at which railroad earnings are running based on operations for the first ten months and allowing for seasonal fluctuations of traffic of each individual road.



tions, however. The increasing efficiency in industry making for lower manufacturing costs, our tremendous potential productive capacity, and foreign competition will probably prevent any extensive advance in the price of most basic commodities.

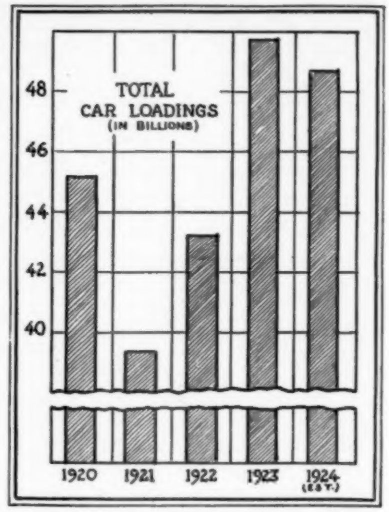
It is not likely then that a slight rise in commodity prices would prevent the railroads from attaining a lower operating ratio for 1925 than that secured in 1924. The heavier traffic and steady improvement in railroad technique, may be relied upon to successfully counteract whatever increase in the price of railroad supplies occurs.

With so many different factors to be considered, in addition to which weather conditions play an important part, any attempt to forecast net operating income for 1925 is an extremely hazardous undertaking. Serious labor troubles, which might conceivably arise, would necessarily have a violent effect. Nevertheless, barring anything of an unusual character, it will be very surprising if net operating income does not easily pass the billion mark. That it may be as high as $1,200,000,000, which would be by far the best figure in history, is not at all impossible. The highest previous figure was $1,040,000,000 in the year ended December 31, 1916.

Effect on Railroad Securities

What effect, then, would an increase of, say, $100,000,000 in net operating income over 1924 have on railroad stocks, and those bonds the price of which depends more upon the margin of safety than the rise and fall in the interest rate? It would amount roughly to an increase of almost 20% in the balance available for dividends. It would place many roads in a position to commence the payment of dividends and encourage others to increase their disbursements. In view of the fact that the total amount paid out in dividends in 1924 was only about $303,000,000 compared with $376,089,785 in 1914, the stockholder seems entitled to a great deal more.

The excellent earning prospects for 1925 are the foundation upon which the recent rise in railroad securities is resting. The railroads are in a far better position today than at any time during the last decade. There is every indication that they will again be permitted to earn an adequate return on their investment, commensurate with the value of the service which they are rendering. Generally speaking, investors in railroad issues of substantial worth may look forward to 1925 with confidence. At the same time, it is only fair to point out that quite a number of railroad stocks advanced in the latter part of 1924 on nothing more substantial than the general rise in the market. Others have risen on premature hopes of consolidations. It is for that reason all the more a period where considerable discrimination will be required in the purchase of railroad issues. The fact that general railroad conditions are sound and that a number of roads will increase their dividends does not signify that every railroad stock is a purchase. The investor must discriminate.



In the Next Issue

HERE is an issue completely off the beaten track. It represents the fruit of our researches into unusual investment situations from a number of different and wholly unconventional angles. See if you can't agree with us by glancing over the following titles:

SECURITIES OF COMPANIES IN RECEIVERSHIP

This gives a list of companies whose securities are listed on the N. Y. Stock Exchange and which have been thrown in the past year or two into receivership. This article serves the double purpose of describing the present and prospective status of these companies to actual security holders and giving intending purchasers some favorable opportunities of spec-investment.

COMMON STOCKS WITH NO BONDS OR PREFERRED STOCKS AHEAD OF THEM

This unusual article presents a list of stocks which enjoy sole claim to net earnings. A number of these stocks are in an exceedingly strong investment position.

SENATOR COUZENS ON ESSENTIALS IN BUSINESS SUCCESS

We had planned to publish this in the current issue but were prevented from doing so on account of last minute exigencies. Watch for it in the next issue when we inaugurate our new Business Department.

SECURITIES THAT SHOULD BE DISCARDED

As we enter 1925, it is the duty of each investor to scan closely his list of holdings with the idea of disposing of those no longer in a favorable position. This article analyzes the general investment situation and gives specific suggestions for switching.

Among the new features appearing in the January 17 issue will be the addition of one hundred active stocks to our Stock Range Table, and a new section devoted to changes in capitalization, stock dividends, bonds and preferred stocks called for redemption and stock split-ups.

Kansas City Southern Railway Co.—

What's Back of the Rise in K.S.U.?

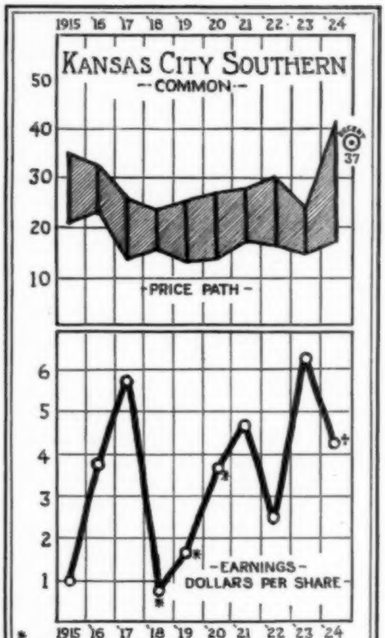
A Few Rumors Exploded—The Road's Earning Power and Merger Prospects—What for the Common Stock?

THE advance of over 100% in market price of Kansas City Southern common stock in the past year has brought this road into the limelight and many rumors have been circulated to explain current high price levels. It has been glibly reported that dividends would be inaugurated very shortly at as high as a $4 rate, that the road would be taken over by some other system on terms to more than justify present prices and that earnings in 1925 would be very much larger than at any time in the company's history. These rumors require a good deal of explanation, in fact, the directors recently met and declared only the regular dividend on the preferred stock.

Careful examination of the earning power of Kansas City Southern over a period of years does not warrant the expectation of a $4 or even a $3 dividend on the common. It is true that in 1923 the annual report of the company showed $6.45 a share earned on the junior stock but included in the earnings was the sum of $890,000 representing settlement with the Government for claims arising from Federal control. Excluding this item, earnings were less than $4. In 1924, about $4 a share was earned. The greatest earning power that the company ever showed was in 1917 when $5.95 a share was earned on the common. The next best year was in 1921, which showed earnings of $4.92.

Physical Condition

While Kansas City Southern is supplied with a fair amount of working capital, it is by no means affluent in this regard and has excellent use for all sums on hand. However, great progress has been made by the management in the past decade in increasing the physical condition of the property which now compares favorably with other roads in the Southwest. The entire line is laid with 85-pound rails, 6 inches of ballast and treated ties. The maximum grade is one-half of one per cent. On the question of equipment, however, the road still has some way to go and can well afford to use surplus funds in improving and augmenting its cars and locomotives. In 1923, for example, $686,295 was expended for hire of equipment compared with $448,542 in the preceding year. Under these circumstances, the management is hardly justified in adopting a very liberal dividend policy.



* Compensation Under Federal Control †Partly Estimated

Under the tentative plan for consolidating the leading railway properties in the United States into 19 systems as published by the Interstate Commerce Commission, the Kansas City Southern is grouped under the "Chicago-Missouri Pacific System." However, it seems questionable that Missouri Pacific would be interested in the Kansas City Southern as it has recently acquired the International & Great Northern, which gives it an outlet to the gulf ports. Other trunk lines entering Kansas City apparently have no crying need for the Kansas City Southern. Rock Island and Missouri-Kansas-Texas have their own outlets to the Gulf and, while K.S.U. may ultimately be taken into one of these systems, it does not occupy a strong enough strategic position to warrant the assumption that very liberal terms will be offered.

In June of last year, in a supplemental report on the valuation of K.S.U. and its subsidiary lines the Interstate Commerce Commission decided that the value of the property for rate-making purposes was 49 million dollars plus additions made since June 30, 1914. Surplus earnings put back into the property, together with the funds raised through sale of equipment obligations since June 30th, 1914, increases this valuation to about 60 million dollars, which compares with a total capitalization of 101 millions, consisting of 50 millions funded debt, 21 millions 4% preferred and 30 millions common. A 6% return on this valuation would enable the company to earn approximately $3.50 a share on the common stock before the recapture clause becomes operative. The recapture clause provides that after 6% on property valuation, additional earnings are divided equally between the Government and the road.

Kansas City Southern claims a valuation of 80 million dollars for the property as of June 30th, 1914, and has brought the question of valuation into the Courts. What the final outcome will be it is impossible to forecast but obviously the road has a great deal at stake.

K.S.U. with its Texas subsidiary, Texarkana & Fort Smith Ry., operates a total of 842 miles, being a short-line route between Kansas City south through Joplin, Mo., Shreveport, La., and Beaumont, Tex., to Port Arthur on the Gulf of Mexico. Traffic is well diversified, the largest single commodity constituting only 17% of gross tonnage.

There are no developments in Kansas City Southern territory to indicate any unusual increase in earnings this year. Gross fell off somewhat last year compared with 1923 and this loss may be recovered in 1925. With the somewhat lower operating ratio, net may be expected to show a moderate improvement.

Conclusion

With the exception of 1919, when the road was under Federal control, earnings for the past decade have been sufficient to cover the preferred dividend with a good margin and earnings for the past four years have averaged more than twice preferred dividend requirements of 4%. *At 58, yielding 7%, this stock represents a good business man's investment.*

At present levels of 37, the common stock must be regarded as an uncertain speculation. Earning power of the road has not justified so high a price level and, as there is no good reason to believe that another system will pay a fancy price for control of Kansas City Southern, speculative possibilities of the common seem limited.

Industrials

The Motors in 1925

Outlook for the Industry and the Leading Motor Securities Listed on New York Stock Exchange

PRODUCTION of automobiles broke all previous records in 1922. The record was again shattered in 1923. As a result of these two prosperous seasons and the promising business outlook for 1924, motor manufacturers started the year with enthusiasm keyed to a high pitch. Dealers and producers alike loaded up with large reserves to meet the greatly increased demand which they anticipated.

In April, however, trouble developed. General business began to slump and the automobile industry was caught with unwieldy stocks of cars. To avoid serious consequences, production had to be cut until the public could absorb the excess. This took several months but at the close of the year, the industry was again in a more or less healthy condition.

It is now looking forward to the coming Spring with confidence. Some of the weaker companies, still remaining in the field last year, were eliminated. Most of those remaining are sound. These companies have been adding to plant facilities and will probably continue to expand conservatively. Plans for the first half of 1925 call for increased output. With the lesson of 1924 in mind, however, production will doubtless be carefully balanced to conform with actual sales.

Prices have been reduced moderately to stimulate demand. These cuts should not result in any material reduction of net profits, however, since many operating economies have been put into effect to offset them. Rising material costs will tend to prevent further marked reductions, while increased output should tend to compensate for such increases in operating expenses as may eventuate.

To sum up, outlook for the automobile industry is promising. Earnings for companies in this group should show improvement over those for the last nine months of 1924, although they may not measure up to the standard of the first quarter. Results for individual companies will vary, of course. The prospect for each is briefly reviewed in the accompanying analyses.

Conditions in the truck industry are not expected to change. This branch is stabilized and indications are that it will continue to do well.

GENERAL MOTORS General Motors is in a strong position. It has steadily reduced inventories during the past several months and enters the new year well prepared to take advantage of spring activity. Changes in the popular demand for automobiles may cause the sales of competing companies to outstrip those of individual General Motors' units from time to time, but the company is not seriously affected by such developments. Its production includes all classes of cars, in addition to various accessories. Hence the company is bound to benefit from improvement even though it should meet stiffer competition in some lines.

General Motors' balance sheet at the end of September showed a further strengthening of finances, compared with the close of 1923. Cash had increased from 47.07 million dollars to 70.21 millions. Inventories were down to 104.40 millions, a decrease of 34.27 millions, and floating indebtedness amounted to 21.75 millions compared with 50.30 millions. Additional improvement in respect to these items will doubtless be shown by the year-end report.

The present $5 dividend on General Motors common is being earned by a comfortable margin. As the prospects are for expansion in net income during the fore part of the current year, this dividend is well secured. Yielding 7.6% on the recent price of 66, therefore, the stock offers a good return, aside from its possibilities for enhancement in market value.

Leading Motor Companies Whose 1924* Earnings Were Twice or Over Their Dividends

	Earned Per Share	Divi'nd Per Share
Hudson	$6.50	$3.00
Jordan	7.00	3.00
Mack	17.00	6.00
Maxwell "A"	25.00	+
Nash	19.00	10.00
Studebaker	7.50	4.00
White	14.00	4.00
Willys Overland (pfd)	13.00	±

* Estimated.
+ $8 div. rate assumed.
± $7 reg. div. rate assumed.

CHANDLER MOTOR Chandler is one company, of those attracting most public interest, that has failed to improve its financial position. Instead, the company lost more ground in 1924. In the past seven years, investment in buildings, machinery and equipment increased from 650 thousand dollars to 3.35 millions. But production and sales for 1924 will be less than they were in 1917. The additions to plants have not produced an increase in earnings, although the automobile industry has shown great expansion in these years.

It is plain that Chandler has not kept its "place in the sun." Nor does it seem to be well situated in comparison with its competitors. While it was spending large amounts for improvements and additions to plants, the company was also paying larger dividends than it had earned. Net income for the past three years was equivalent to $13.58 a share for the common stock, while dividend payments in this period totaled $19 a share. As a result, financial position has been weakened.

For the first half of 1924, the company showed a margin of only 4 cents over the $6 yearly dividend then being paid. In the third quarter, net fell to 80 cents a share. The dividend was cut to 75 cents a share in September. The last three months will probably show a slight margin over current requirements.

The common stock may be expected to move with its group unless the company's position becomes unexpectedly weaker. The slender margin of safety over dividends and the indifferent financial position do not make it attractive, however. Better opportunities are afforded by other issues.

HUDSON MOTOR For the year ended November 30, 1924, Hudson reported a production of 128 thousand cars. This is an increase of more than 50% over the company's previous yearly output. Much of this remarkable increase, in a year of irregularity, was due to the management's aggressive sales policy. Hudson has not hesitated to cut prices when it appeared that such reductions would stimulate sales. Recently it again reduced them. These cuts will result in lower profits per car, of course, but they have had the desired effect in maintaining demand for the company's product. Economies in operation and sustained production largely make up for the lower selling prices of its cars.

Financial position of the company is strong. *It has no funded debt.* Balance sheet for the fiscal year ended November 30 has not been made public as yet, but it should show improvement over 1923 when working capital stood at 11.68 million dollars, of which 9.35 million were cash and U. S. Treasury notes. The progressiveness of the management is shown, not only by its operating policies, but also by the fact that more than 14.73 million dollars of earnings have been retained for surplus during the past seven years. As a result, Hudson Motor is well entrenched and in a good position to benefit from an upturn in the industry.

The common stock, selling around 34, affords a return of 8.8% on the basis of the present $3 dividend. With earnings running double this requirement and the company facing prospects for continuation of its past record of growth, this issue has good possibililties. An increase in dividends to $4 a share would not be surprising.

HUPP MOTOR Hupp is expected to show a total production of slightly less than 31 thousand cars for the year 1924, December figures being estimated. In the year preceding, it turned out more than 38 thousand cars. This company has shown rapid expansion in the past. It was affected, however, by the slump in the motor industry last year, as indicated by these production figures. Earnings also fell off compared with 1923.

For the first nine months of 1924, net was equivalent to $1.26 a share for the common stock. This compares with $3.34 a share for the same period a year ago. Expenses incurred in developing the new straight-line eight models, which the company intends to introduce this year, were party responsible for this slump. These models, however, should permit the company to enlarge its sales field as production was formerly confined to a lower-priced four-cylinder line.

In January, 1923, Hupp sold 342,678 shares of stock to its shareholders at $12.50 a share. This financing placed it in a stronger financial position. As of September 30, working capital amounted to 6.28 million dollars, including 3.47 millions cash and Government securities.

Hupp's current $1 dividend appears reasonably secure. The company is in a position to benefit from any upturn in the motor industry but at recent prices around 17, the stock yields but 5.9%. This is not a very alluring return, and there are more attractive opportunities elsewhere.

MAXWELL MOTOR This company has made remarkable strides in recent months. Net income for the first half of 1924 was held down by heavy expenses incurred in getting the new Chrysler car into production and by losses arising from liquidation of its Chalmers line. With these out of the way, earnings have mounted rapidly. In the third quarter, the company reported a balance for the Class A stock five times larger than that for the preceding six months. October earnings were in the neighborhood of 1.0 million dollars which would indicate that Maxwell will duplicate the third quarter performance in the final three months of 1924.

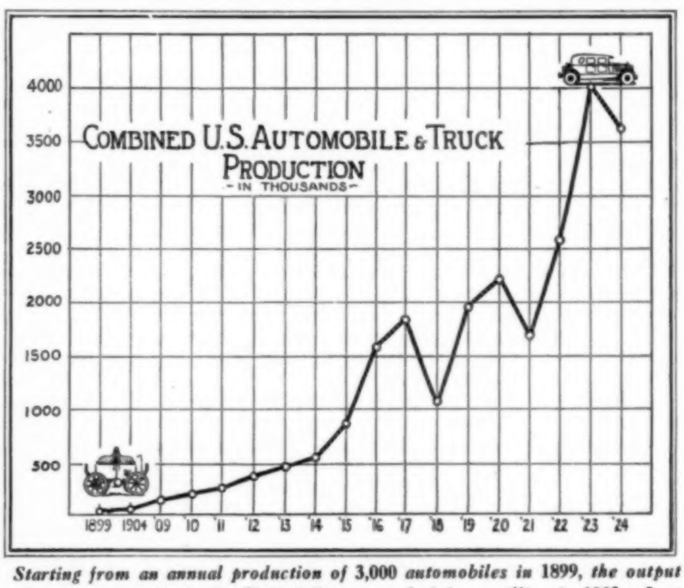
As might be expected, financial position shows material betterment. Net working capital of 14.65 million dollars as of September 30, 1924 compares with 8.42 millions at the close of 1923. The company has called its 4.75 millions of 7% debentures for payment. These have been replaced, in part, by 3 millions of 5½% bonds, recently sold to the public. A substantial saving in interest charges will result from these capital changes.

Popular demand for the Chrysler car should permit the company to continue its excellent showing this year, aside from probable improvement in the Maxwell division. With net running approximately three times requirements, the Class A stock is evidently in line for regular $8 yearly dividends. If these are paid, the issue at current quotations of 83 would yield 9.6%, a very satisfactory return. The Class B shares are more speculative but should tend to follow market action of the A stock.

STUDEBAKER Studebaker's third quarter earnings were only slightly in excess of common dividend requirements. This poor showing was, however, occasioned by decreased production in July and August when the company was getting its plants in shape to manufacture the new 1925 models. These were introduced to the public in September and met an excellent response. Sales recovered quickly from the previous slump. At the rate attained during October and November, fourth quarter business should prove to have been one of the largest for a similar period, in Studebaker's history.

Production is running close to capacity. In addition, many operating economies have been effected and the company is now in a position to benefit from the additions to plants, made in the past year or so.

Net earnings for the first nine months of 1924 were sufficient



Starting from an annual production of 3,000 automobiles in 1899, the output of cars and trucks in the United States reached four million in 1923. Last year's production will be slightly above 3.5 millions. The industry faces an active period in the next few months.

to cover the common dividend with a substantial margin, in spite of the third quarter setback. In view of the better results likely to be reported for the three months' period just closed, Studebaker should show a balance for the year nearly double the present $4 dividend.

Outlook for the company is decidedly encouraging. Its financial and trade position is strong. It should have no difficulty in securing a generous share of the prospective spring automobile business. *The common stock, selling around 44 to yield 9%, appears to be one of the most attractive in the motor group.*

WILLYS-OVERLAND Willys-Overland's results for the last half year were adversely affected by the necessity for liquidation of excessive stocks. Output was at the rate of approximately 1,000 cars a day during the first four months of 1924. After that, declining sales and retrenchment in operating policies caused production to drop to 50% of capacity. This rate was maintained until the latter part of the third quarter when there was some improvement.

The company is expected to show a very moderate balance for its preferred stock for the final six months, however, as year-end adjustments will probably absorb a considerable percentage of net. Earnings for the year should, nevertheless, leave between $12 and $13 for this issue.

Financial position has been considerably strengthened. As of June 30, 1924, the company had 2.72 million dollars in cash compared with 588 thousand at the close of 1923. Ratio of current assets to current liabilities was better than 5 to 1. Inventories have been brought down to normal requirements as a result of the mid-year curtailment.

Willys-Overland seems to be entering 1925 in a strong position. While no attempt may be made to clear up accumulation of back dividends on the preferred stock, which now amount to 30%, resumption of the regular 7% rate is probable. *At recent prices around 75, this issue has attractive speculative possibilities. Dividends on the common are, of course, remote but it may be expected to move in sympathy with the senior shares.*

MACK TRUCKS The growing use of buses, by railroad as well as public utility companies, and otherwise, is a material factor in Mack Trucks' earning power. The management has retained the major portion of the company's large income for expansion in this field. Additions to the plants at Allentown, Pa. and Plainfield, N. J., are now nearing completion.

The manufacture of commercial trucks is still the company's principal business but increased production in the bus branch should result in proportionately larger earnings this year. For the first nine months of 1924, net was equivalent to $13.93 a share for the common stock. From present indications, the year's final figures are not likely to fall far short of $17 a share.

The stock affords a return of only 5.2% at recent prices around 114. However, substantial equities have been built up by the management's policy of reinvesting earnings. *The time would seem to be approaching, therefore, when stockholders may look forward to a more liberal dividend disbursement, particularly in view of the prospects for increased business.*

DESPITE the tremendous growth of the automobile industry, few classes of securities are essentially more speculative than motor common stocks. This is particularly true of the present era of intense competition in the industry. In this period, the smaller and poorly financed companies are being eliminated and the field is gradually being left to those which are larger and better established. In the past, careful selection of motor stocks for semi-investment has proved advantageous and no doubt will prove so again. What is required, is complete knowledge of the general nature of the industry, and ability to keep in touch with new developments affecting it.

WHITE MOTOR White Motor, like Mack Trucks, is gradually extending its operations in the bus business. In May, 1924, the company purchased the plant of the White Sewing Machine Co. at Cleveland, thus increasing its capacity for production approximately 80%. A very material percentage of its output of buses is taken by the railroads. As in the case of Mack, however, activities are centered chiefly in the commercial truck field.

White has built up a substantial earning power in this branch of the industry. Earnings in the past two years (figures for 1924 being partly estimated) have been at the rate of $14 a share for the stock. While this is considerably above the previous average, steady development of the busines would indicate that this higher return should be maintained under normal conditions.

White Motor's balance sheet, as of December 31, 1923, shows current assets of 26.88 million dollars compared with 5.33 millions of current liabilities, a ratio of more than 5 to 1. It is apparent that the company is in a position to disburse a more liberal dividend on its common stock. *This issue is now selling around 72, at which price it yields 5.4%. But in the event the present $4 dividend is increased, the stock may be expected to improve in market value.*

PACKARD MOTOR This company completed its fiscal year in August with earnings of $1.54 a share available for the common stock. As dividends for 1924 were paid at the rate of $1.50, including extras, the margin of safety would not seem to have been large. It is the management's policy to charge liberal amounts to depreciation and contingent reserves, however, and it is necessary to take this fact into account when considering true earning power. Amounts so set aside last year were equal to approximately $1.20 a share for the common.

The company is strongly situated in respect to finances. As of August 31, 1924, net current assets totaled 31.3 million dollars against which there were only 3.6 millions of current liabilities. Cash and Government security holdings alone made up 15.6 million dollars of the 27.7 million working capital.

On the basis of the regular $1.20 dividend, Packard Motor's common stock affords a return of 8% at current prices around 15. *It would be venturesome to predict continuation of last year's extra payments, but there are possibilities in this direction in view of the strong financial status of the company and probable improvement in the industry.*

NASH MOTORS Nash Motors Company is one of the outstandingly successful concerns in the automobile industry. It has an impressive record of growth, for which a capable management is responsible. While the company's business for the year 1924, as a whole, did not measure up to the sales or profit volumes of the preceding twelve months, it was substantially better than that of most producers.

At the beginning of the last quarter, Nash experienced a very marked improvement in demand for its cars. Introduction of 1925 models unloosed a flood of orders. October and November sales far exceeded those for any like period since the company was organized, and production is being pushed to keep up with trade requirements.

Net income for the nine months

ended August 31, 1924, was equivalent to $12.81 a share for the common stock. In view of the record volume of business done in the final three months of the year, Nash is expected to show a balance not far short of twice the current $10 dividend. *This issue will probably continue to give a good account of itself but at current prices around 192 it is not especially attractive. The yield is only 5.3%.*

PIERCE-ARROW By introducing a line of moderate-priced cars, Pierce-Arrow seems to have solved the problem of keeping its plants profitably occupied. A good demand for its Series 80 model has developed. Earnings of the company have taken a marked turn for the better since this car was placed upon the market. Net for the final quarter of 1924, on the basis of October and November results, will probably exceed that for the entire nine months preceding.

Early in 1924, the company succeeded in having its bank loans extended. The improvement in earning power since then should be reflected in a stronger financial statement for the year-end. However, it will require several months of good earnings to place Pierce-Arrow's finances on a really strong footing.

Dividends on the 8% prior preference shares have been paid without interruption since it was issued in April, 1923. This stock is convertible, at any time, into common in the ratio of five shares for one of preferred. Selling around 90, the prior preference stock yields 8.9%. Its position is speculative, but in view of the company's recent recovery, appears fairly attractive.

There is no prospect for early resumption of payments on the 8% cumulative preferred stock which now carries an accumulation of 30% in unpaid dividends. This issue should, however, be responsive to further probable improvement in the company's trade position. Outlook for the common is uninviting. *The conversion feature of the prior preference shares, together with their liberal dividend return, makes them much the better speculation.*

JORDAN MOTOR Like a great many producers, Jordan took advantage of last summer's let-down in the motor industry to get ready for the manufacture of a new line of cars. The latest models, comprising the "Great Line Eight," have been well received. Volume of sales in the third quarter was largest in the company's history. Operations have lately been increased to care for the expansion in business.

Net earnings available for the common stock were equivalent to $4.72 a share in the first nine months of last year. Although there was a perceptible let-down in July, the third quarter contributed its full share to this showing. For the twelve months, the company will probably show about $7 a share. Financial position is strong with ratio of current assets to current liabilities better than 3 to 1.

Jordan's present favorable showing should be maintained. Hence, with earnings at a rate more than double the $3 dividend requirement, the common stock may be expected to receive a larger disbursement before long. *This issue is now selling around 51, to yield only 5.9%, however, and would seem to have discounted this possibility to some extent.*

YELLOW CAB The shares of this company attracted a good deal of attention last year by a sensational break from 86 to 50. Though there was no apparent reason for this slump at the time, it subsequently developed that earnings were falling off. Demand for taxicabs was adversely affected by general business conditions and by temporary saturation in the market for this type of vehicle.

Net for the second quarter dropped to $1.30 for the Class B stock, after allowance for Class A dividends, compared with $1.67 a share in the first quarter. There was a further decline in the third quarter when the company reported net of only 88 cents a share. As a result of this disappointing showing, dividends were reduced from $5 annually to $2.52 in November.

The company has gone into the manufacture of light commercial motor trucks in an effort to stabilize its business and secure other sources of revenue.

The Class A shares are closely held, the entire issue being owned by the Chicago Yellow Cab Co. The Class B stock must be treated as a speculation. Giving consideration to the company's uncertain outlook and the yield of 6.3% at recent quotations around 40, it does not appear attractive.

(Please turn to page 419)

How Earnings of Leading Motor Stocks Compare

	1st Quarter (Earnings in Dollars per Share)	2nd Quarter	3rd Quarter	12 Months Partly Est.	Recent Mkt. Price	Divs. $ Per Share	% Earned on Recent Mkt. Price
Chandler Motor	a	a	0.80	$4.5	$37	$3	12.1
General Motors	3.40	1.15	1.63	7.5	66	5	11.4
Hudson Motor	1.08	2.04	1.75	6.5	34	3	19.1
Hupp Motor	0.42	0.31	0.53	1.7	17	1	10.1
Jordan Motor	b	b	b	7.0	51	3.0	13.7
Mack Trucks	4.04	6.14	3.75	17.0	115	6.0	14.8
Maxwell Motor Class A	c	c	12.57	25.0	83	..	30.1
Moon Motor	1.12	1.11	0.89	4.0	23	3.0	17.3
Nash Motor	4.92	4.48	3.40	19.0	192	10.0	9.9
Packard Motor	*	*	*	d1.54	15	1.5	10.3
Pierce-Arrow 8% Pfd.	0.47	1.06	1.06	5.5	49	..	11.4
Studebaker Corp.	1.81	2.07	1.05	7.5	44	4.0	17.9
White Motor	*	*	*	14.0	72	4.0	19.4
Willys-Overland Pfd.	9.80	2.81	0.13	13.0	75	..	17.3
Yellow Cab Mfg. "B"	1.57	1.30	0.88	4.5	40	2.52	11.2

a Earned $3.04 for first six months.
b Earned $4.72 for first nine months.
c Earned $2.54 for first six months.
d Actual earnings for 12 months ended Aug. 31, 1924.
* Does not report quarterly earnings.

A Diversified List of Low-Priced Stocks

Seven Dividend Payers Selling Under $25 Per Share Which Are Attractive for Immediate Income and Long Pull Prospects

By BENJAMIN GRAHAM

THE seven low-priced stocks included in this article represent practically the only attractive opportunities remaining among this class of stock so far as New York Stock Exchange securities are concerned. Several of these issues have been recommended at somewhat lower prices in past issues of this Magazine but are considered still to hold possibilities. No significance should be attached to the order in which these analyses appear.

KIPLING'S "nine and sixty ways of constructing tribal lays" are easily exceeded by the available methods of investing money. Unfortunately, we cannot say of the latter that "Every bloomin' one of them is right." Yet the field of sound investment is by no means restricted to the single group of "gilt-edged securities" but offers a wide variety of approach to those of enterprise and judgment. To speak of *investing* in low-priced common stocks may seem to many like an absurd contradiction. Nevertheless, the idea is practicable and the results may be most satisfactory; but it is much less simple than selecting seasoned bonds, requiring as it does a greater degree of discrimination and study.

At this point in the market, when price levels appear generally high, if not prohibitive, the selection of really attractive common stocks is becoming especially difficult. In particular, the lowest price issues are likely to prove the dearest; for many a dead issue, awaiting decent burial, has suddenly been galvanized into deceptive vitality. Are there any stocks left that can be bought without undue risk?

The answer depends essentially upon the reader's point of view. No issue, however skilfully chosen, can well escape the influence of a general setback. Yet, disregarding the question of immediate fluctuations (which of course may be upward as well as downward), the small investor may still be able to acquire an assortment of low-priced dividend-paying stocks which are intrinsically worth their present prices and should yield very satisfactory results in the long run. Seven issues of this type are discussed in the following paragraphs:

1. *AMERICAN LA-FRANCE FIRE ENGINE common (par $10).*
Price $10, *dividend* $1, *yield* 10%.

This company manufactures various kinds of fire apparatus and also commercial motor trucks. Most of its product is sold to municipalities. The present company began operations in 1912. Its sales have increased steadily from $1,500,000 the first year to above $8,000,000 in 1924. During this period it has never failed to report a surplus after dividends. The common has received regular disbursements for ten years, the present $1 (10%) rate having been in effect since February, 1920.

Earnings for the first nine months of 1924 were at the annual rate of $1.70 per share. In 1923 about the same figure was earned on a somewhat smaller capitalization. Net tangible assets are fully equal to the present price, and the company enjoys excellent management and financial backing.

The 345,000 shares of common stock are preceded by two millions of three-year notes, and about four millions of preferred. These senior obligations, however, are fully covered by working capital. *The exceptionally stable nature of the company's business, and its excellent record of continued expansion, would seem not only to justify the present capitalization structure, but also to offer good possibilities of an enhanced value for the common stock.*

2. *DOUGLAS-PECTIN CORP.*
Price 16, *dividend* $1 *yield* 6.67%.

This company manufactures "Pectin," an essential element in the making of jams and jellies. This product is sold also in bottles under the name of "Certo," and has shown a rapid sales growth in recent years. In addition, the company is the largest manufacturer of vinegar in the United States.

The capitalization consists of $475,000 of 7% bonds, due 1932, and 300,000 shares of no-par stock. The book value of the stock is about $10 per share. Its working capital position is good. In 1922 and 1923, the net earnings were about $1.70 per share. In the first nine months of 1924 they amounted to $1.35 per share, indicating about the same results for the full year as in 1923. The $1 dividend has been paid since organization of the present company in April, 1923.

The stock has advanced from a low of 9⅝, partly in sympathy with the general market, and partly on a recent announcement that the company is placing a new product on the market a palatable form of castor oil, which is expected to have a large sale. *While hardly in the bargain class, Douglas-Pectin is not without intrinsic merit, and its stock may benefit substantially from favorable developments in its special field.*

3. *METRO-GOLDWYN PICTURES 7% Cumulative Preferred (par $27).*
Price 18½, *dividend* $1.89, *yield* 10.22%.

The rather outlandish $27 par value arose from a share for share exchange of Goldwyn Pictures for this issue, at the former's appraised value. The company is a consolidation of Goldwyn Metro Films—the producing and distributing subsidiary of Loew's Inc. There is $4,971,000 of preferred, which at 18½ is selling at 70% of its face value. Loew's owns the entire common issue of $3,100,000, and has an additional investment of $3,700,000 in the form of permanent advances. Last year Metro-Goldwyn reported about $20,000,000 of gross business, and net earnings of about $1,000,000. In other words, the preferred dividend was earned about 3 times over. The face value of the preferred stock is fully covered by net current and working assets.

Although the predecessor companies have enjoyed a large gross business for many years, their profits have been quite irregular—particularly in the case of Goldwyn. There seems good reason to believe, however, that the new conditions growing out of the merger should do much to stabilize the

earning power of the present company, so that there should be little difficulty in covering the preferred dividend. The close relationship with Loew's Inc., owning so many theaters, should prove of the greatest value.

Metro-Goldwyn preferred has recently advanced from about 15 to 18½, partly in sympathy with the great strength and activity in Loew's. Although naturally not as attractive as at its lower price, the yield of 10% still to be obtained on this issue remains a strong recommendation. Beginning in 1926, 2% of the total issue in each year is to be retired by a lot at $27 per share. The value of this sinking-fund provision is equivalent to an additional 1% yield on the investment.

4. *WRIGHT AERONAUTICAL.*
***Price* 16, *dividend* $1, *yield* 6.25%.**

Despite the recent advance of this stock from a low of about 10, it still holds possibilities which deserve consideration. There are three main elements in the Wright Aeronautical situation:

1. The stock offers a most attractive medium for those who have confidence in the future of commercial aviation. The company is amply supplied with the prestige, experience, physical facilities, cash resources, financial backing, and everything else needed to place it in the forefront of the industry. Furthermore, this is not a new, untried venture, but a company with a five-year record of stable profits and uninterrupted dividends dating from May, 1921. Its capitalization consists simply of 249,000 shares of no-par stock.

2. The company is in an extraordinary liquid position, having net current assets alone of over $6,000,000, or $24 per share, of which $17 (the entire market price) is in cash and marketable securities. But—

3. Three years ago the United States Government announced its intention of suing the company for over $4,700,000, alleged to have been overpaid the predecessor enterprise on war contracts. Despite the long interval since elapsed, no proceedings have actually been started. There seems good reason to believe that only a small part, if any, of this sum will ever be awarded the government.

Aside from the possible continuance of the recent market activity of this stock, it seems to have exceptional long-pull prospects. If and when the government claim is disposed of without serious cost to the company, as the management confidently expects, then the enormous cash assets and strategic trade position of Wright Aeronautical should raise the price of the stock considerably above its present level.

5. *WALDORF SYSTEM.*
***Price* $19, *dividend* $1.25, *Yield* 6.58%.**

This company operates a chain of 116 restaurants, located chiefly in the East. Its capitalization consists of about $1,550,000 preferred and 442,000 shares of no-par common, valued at $8,400,000. Its gross business amounts to about $14,000,000 annually. The net profits in each of the last three years have been $1,150,000, or over $2.30 per share.

These earnings amount to about 12% on the present market price. This is a relatively large ratio for a chain-store proposition, practically all of which tend to sell in the market on the basis of profits expected in the future rather than current results. A banking firm, prominent in the chain-store field, has recently acquired a substantial interest in Waldorf System. *This should mean ampler resources and experience to take advantage of the wide possibilities of expansion for an enterprise of this character.*

6. *U. S. HOFFMAN MACHINERY.*
***Price* $24, *dividend* $2, *yield* 8.33%.**

This enterprise is by far the largest producer of garment-pressing machinery in the United States. It sells its output to tailoring establishments, laundries, hotels, clothing factories, and many others. Since 1908 annual sales have grown without interruption from $94,000 to over 5 millions. Its capital consists of $1,300,000 of 7% cumulative preferred (convertible into common at $30), and 180,000 shares of common. On the present setup, the net profits in each of the past three years have exceeded $4 per share, after deducting $1 per share for amortization of patents.

The book value of the common stock somewhat exceeds the market price, though a good part is represented by capitalizing patents. None the less, these patents, which are basic, have a very real value, as shown by the steadily increasing and constantly profitable business based thereon. *The company's excellent management and strong financial condition seems to afford assurace that the satisfactory results of the past will continue in the future.*

7. *FIFTH AVENUE BUS.*
***Price* 11½, *dividend* $.64, *yield* 5.56%.**

The low yield of this issue is offset by many favorable factors, not the least being the prospect of an early advance in the dividend rate. Fifth Avenue Bus is one of an intricate series of holding companies controlling the well known green buses of New York City. Under a plan of merger of the New York and Chicago enterprises, most of the Fifth Avenue Bus shares were acquired by the new Omnibus Corp. But the Fifth Avenue Bus Company retains its separate interest in the New York properties; and since a considerable number of shares were not turned in, they continue to be traded in on the New York Stock Exchange.

Fifth Avenue Bus is a most unusual enterprise in that it appears to combine all the advantages of public utiilty companies with none of their drawbacks. Like every public utility, it has a permanent business, steadily expanding, subject to few and minor recessions. But instead of being committed to a fixed plant investment equivalent to several times its annual business, Fifth Avenue Bus takes no more than $2 of revenue for each dollar of plant and equipment, and nearly all of it is in a form which can be readily sold or moved. For this reason the company has been able to avoid issuing those large amounts of bonds and preferred stocks which nearly always characterize and often burden the typical public utility.

Eliminating the meaningless holding company structure, the Fifth Avenue Bus

(*Please turn to page* 429)

Seven Attractive Low-Priced Dividend-Paying Stocks

Issue	Price About	Div. Rate	Yield (%)	Earn'gs Per Sh. 1924*	Ear'd on Market Price
Am. La France Fire Eng.	10½	$1.00	8.70	$1.60	13.8
Douglas Pectin	16	1.00	6.33	1.70	10.7
Fifth Ave. Bus........	11½	.64	5.56	1.77	15.4
U. S. Hoffman Mach...	24	2.00	8.33	4.00	16.7
Waldorf System	19	1.25	6.58	2.32	12.2
Wright Aero	16	1.00	6.25	1.65	10.0
Metro-Goldwyn Pfd.... (Par 27)	18½	1.89	10.22	5.44	29.4

*Estimated.

Second Instalment

What are the Investment Possibilities of the Tobacco Industry?

An Analysis of the Leading Cigar Companies

By WILLIAM J. KEARY

SOME few years ago, when theorists and demagogues were proclaiming their magic panaceas for the cure of the country's ills, both real and imaginary, Thomas R. Marshall, then Vice-President of the United States, made the celebrated remark that what the country needed was a good five-cent cigar. In the opinion of the Vice-President, this homely paregoric would do more to dispel dissatisfaction than all the dubious compounds for which formulas were so willingly and gratuitiously offered.

When Mr. Marshall made his remark, cigar leaf prices and the wages of cigar workers were very high, and it was exceedingly difficult, or impossible, to make a good quality cigar to retail at a nickel. There were cigars being made then to retail at that price, but they were of the kind that humorists are fond of classifying under the name of "El Rope." Since that time leaf prices and wages have fallen somewhat, and the cigar trade has been making valiant efforts to give the country a good five-cent cigar. That it is succeeding is evidenced by the fact that in the past four years the proportion of nickel cigars to total output has increased very substantially. In its efforts to provide the public with a "good" nickel cigar, and "good" cigars at varying range of prices as near as possible to pre-war standards, the cigar industry has been having its trials and tribulations; the smoker rather than the manufacturer has been the beneficiary of these efforts.

Compared With Cigarette Manufacture

Unlike its near relation, the cigarette manufacturing industry, the cigar industry has enjoyed only measurable or doubtful prosperity in the past decade. It has not the same record of large and constantly enhancing earning-power, of financial strength growing to the point of impregnability, and of substantial and uninterrupted dividend disbursements to shareholders.

Primarily the problem of the cigar trade has been stationary consumption, in face of increasing costs of production and higher taxation. This situation was met partially with increased prices, but the remedy, while giving some relief brought new difficulties for it had a restrictive effect on consumption and turned the smoker to more economical, and presumably equally satisfying, substitutes.

These difficulties are in turn traceable to the economic position of the industry. In an era when machinery was revolutionizing industry and promoting greater efficiency with substantially lower production costs, the cigar industry stood still, adhering to its hand-labor methods. This condition was not due to any lack of progressiveness on the part of the cigar manufacturers, but rather to the inability of inventors to devise a machine that would select long-filler leaf for the filler, or body of the cigar, roll such leaf into a bunch, secure with a binder, and then enfold with a wrapper. The processes in themselves are not complicated to the human hand, but it is only in very recent years that a machine was devised to perform them satisfactorily. Even now, although this machine has reached a high degree of practical utility, the feeling is that it has not as yet reached the degree of mechanical perfection that it will ultimately attain.

As a result of the hand-manufacuring methods in vogue, labor was the predominating factor in the industry. Since there was no machinery or large equipment expenditures necessary to start in the business, the individual cigar makers, or small groups of them set themselves up into small establishments. The outcome was that cigar manufacturing became a scattered and far flung industry, divided up among a relatively great group of small enterprises with innumerable brands and shapes and sizes of cigars. Accordingly, the industry was deprived of the benefits of large scale mass production of few and standardized brands of cigars, and of the effective

Statistical Position of Leading Companies Engaged in Cigar Business

	General Cigar	Bayuk Cigars	Consolidated Cigar	United Cigar	Schulte Retail Stores
Earned in 1923	$2,938,285	$902,333	$459,978	$4,757,927	$3,763,637
Present Dividend on Common	$8	None	None	$2 cash 5% Stock	$8 in Pfd. Stock
Per Share on Common	$11.56	$9.18	$0.73	$3.38	$11.99
Indicated Earnings, 1924	11	8	7	4	14
Approximate Market	98	47	28	61	114
Earned in 1923 in % of present market price	11.8%	19.9%	2.6%	5.5%	11.0%
Indicated earnings in 1924 in % of present market price	11.2%	17.0%	25.0%	6.5%	12.2%
Book Value per share	$133	$39	$43	$30	$42
Book Value per share excluding goodwill and trademarks	44	39	22	14	29

THIS article outlines in detail the position and trend of the cigar end of the tobacco industry and was preceded in the November 22 issue with an analysis of the cigarette manufacturers. The present discussion covers the securities of the distributors as well as those engaged solely in cigar manufacture. We call attention to this set of articles as being among the most comprehensive published on the subject in recent times, from the viewpoint of educational value and market practicality.

advertising that could greatly enlarge the consumption of such brands.

War Problems of Industry

When the war came with its problems, the cigar industry was not therefore, so well fortified to meet them. Highly ingenious machinery made the labor burden of cigarette and smoking tobacco manufacturer relatively light, and advancing wage scales did not bear very heavily on them, with the result that their production costs were kept well under control. Cigar manufacturers were confronted with the problem of heavily increasing material and labor costs, and they had neither efficient machinery nor increased volume with which to combat them. The extraordinary growth in cigarette consumption was of course another factor militating against the cigar industry. Prices of cigars were either appreciably increased with resultant curtailment of consumption, or advanced moderately with consequent inroads into the profits of the manufacturer.

Since the war the industry has been struggling to give the public the best in quality at the lowest prices. Whatever reductions have taken place in raw material or labor costs have been passed on to the consumer in lower prices or improved quality. Despite these concessions at the expense of profits, consumption has not enlarged, and the cigar industry is confronted today with the problem of relatively high material and labor costs and relatively low selling prices, which cannot be safely increased because of the immediate and restraining effect such an increase would have on consumption.

Two Roads to Prosperity

There are two main avenues leading to eventual prosperity for the cigar industry, and manufacturers are already exploring them. One is the greater utilization of cigar machinery; the other, the cultivation of a better grade of leaf.

There is a cigar machine now in operation capable of making a complete cigar from the binding to the wrapping processes. Several of the large manufacturers have installed these machines in their plants and are finding them increasingly satisfactory. The machine has its limitations, and this fact coupled with its newness, is causing the manufacturers to experiment cautiously with it before adopting it on a yet more extensive scale. Cigars of the smaller shapes and sizes that retail at from five to ten cents each which constitute the bulk of the total production can be produced by the machines with complete satisfaction. It is generally agreed that the bulkier cigars retailing at higher prices can be made more satisfactorily by hand processes, but with the improvements that will undoubtedly be made to the machine, it is not difficult to conceive of a time, when a machine-made cigar, of any size or shape, will have a degree of perfection as great as, or greater, than that presently achieved by the dexterity of the human hand.

Machinery will also bring about concentration because it will make large scale production more profitable. The tendency for the future, therefore, will be towards the elimination of the small manufacturer, unable to procure the necessary capital to install machinery and to compete with a rival having the advantages of the lower costs made possible by large scale production. Gradually, the cigar industry will attain a status somewhat akin to that now occupied by the tobacco manufacturing industry. The majority of output will be controlled by a relatively few enterprises, brands will be fewer and more standardized and forceful advertising will be used to further popularize these brands.

This process of elimination has been going on quietly for some years. In 1910, *according to the Bureau of Internal Revenue, there were* 22,519 *cigar manufacturing factories in operation and their output for the year was* 6,810,098,416. *In* 1923, *the number of cigars produced was greater than in* 1910, *but the number of factories had been reduced to* 10,628 *or less than one-half the number in operation in* 1910. The cigar machine is largely responsible for the elimination, but the labor situation has been a factor. Formerly, only men were engaged in cigar making but in late years women have been trained in the art and have largely supplanted men in the industry. The proficient male cigar maker after a few years' experience oftentimes embarked for himself and thus added to the number of manufacturing establishments, but women are not fitted by tradition or temperament to undertake similar experiments, and this fact has kept in check the growth that formerly prevailed in the number of establishments operated.

The movement for the cultivation of better cigar leaf is definitely under way. For some time past a progressive executive of one of the large cigar manufacturing companies has energetically fostered the idea of more scientific cultivation of leaf with the object of improving the quality. His company has been very successful in educating the farmers from whom it buys its leaf to improve the standard of tobacco through proper fertilization and proper attention to the growing leaf. It is estimated that for every acre producing high-grade leaf there are four acres raising an inferior grade, and the progressive minds of the industry feel that if all, or nearly all of the acreage, planted can be made to yield better leaf through better cultivation methods, great strides will be made towards increased consumption of cigars. More recently one of the prominent tobacco trade journals took up the idea, and it seems as if a concerted move towards improving the grade of leaf is under way.

There are other minor ailments, the correction of which would help the industry, but its future welfare seems to lie in greater utilization of machinery with its resultant advantages in the way of concentration, and in better quality of leaf. These forces are already in motion, but their influence is likely to be slow and gradual, rather than precipitate. In their operation there is hope that in the not remote future the cigar industry will find itself well on the road to an enduring prosperity.

Cigar production for the first eleven months of 1924 aggregated 6,147,130,073 compared with 6,507,528,221 for the corresponding period of last year. The fact that cigar consumption in the current year, as indicated by the tax-paid figures, shows a retrograde movement while other manufactured tobacco

Stationary Consumption —the Cigar Industry's Main Obstacle

1905	6,747,869,277
1910	6,810,098,416
1915	6,599,188,078
1920	8,096,758,663
1921	6,726,095,483
1922	6,722,354,177
1923	6,950,247,389
1924†	6,600,000,000

† Estimated.

products show a forward movement, has been a source of much discouragement to the trade and is bringing it to a keener realization of the need for energetic action to improve the situation. Despite the decreased output the current year will not be an unprofitable one for the cigar companies, judging by the published statements of the prominent organizations. Net profits have been running fairly close to, and in some instances, ahead of, the 1923 standard.

To the individual willing to wait patiently, the common stocks of the stronger cigar companies offer good long-term speculative attractions. In making selections it is obviously necessary to choose companies with progressive and efficient managements, with popular trade brands, with some record of earning capacity, and particularly with a strong working capital position. Cigar corporations possessing these qualifications stand to profit very measurably in the prosperity that will eventually come to the industry through the transformation and betterment of its underlying economic position.

Following is a summary of the position of the cigar companies whose stocks are listed on the Exchange:

GENERAL CIGAR COMPANY

General Cigar Company is the largest cigar manufacturer, far surpassing all competitors in volume of output. Its production is in excess of 650,000,000 cigars annually, equivalent to about 10% of the total output of the country. The company owns such well-known cigar brands as "White Owl," "Robert Burns," "Van Dyck," and "Wm. Penn." In its "Wm. Penn" brand the company has one of the largest selling nickel cigars on the market.

For several years past the company has enjoyed an excellent earning and dividend record. Net profits for the past five years have averaged $11 per share on the common stock. In 1923, the company earned $11.56 per share, and distributed $6 per share in dividends to its stockholders.

Early in 1924, the company increased its dividend to $8 per share, and from all indications should be able to maintain this standard. In the first nine months of 1924 it earned $7.74, and for the entire year should show earnings of about $11 per share. Its current assets as of June 30, 1924, aggregated $24,786,935 compared with current liabilities of $1,427,552, a relationship that reflects a strong working capital position.

Selling around 96, the stock yields in excess of 8% which is a liberal return. The stock commends itself to anyone willing to assume some degree of speculative risk and willing to wait patiently for the materialization of the attractive long-term speculative possibilities the stock possesses.

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Preferred Stocks

PREFERRED stocks were not laggards in following the upward trend in the stock market. Unlike high-grade bonds, whose price level was practically stationary, sound preferred shares were in demand at higher prices, as will be noticed from the substantial gains shown in high-grade issues in the Guide, where advances of two and three points were not unusual. Bethlehem Steel 8% preferred was the star performer among the middle-grade issues, and, in the public utility division, Metropolitan Edison jumped six points, this stock, for a long while, having behind the market. Among the speculative rails, Gulf, Mobile & Northern advanced 15 points to around par on announcement of the shares having been placed on a regular 6% basis. Inasmuch as over 22% in accumulated arrears are yet due on the issue, it has not yet discounted the ultimate situation in its rise of about 40 points since its introduction in the Guide. Other stocks given below are also in a promising position.

PREFERRED STOCK GUIDE

(LISTED IN ORDER OF PREFERENCE)

These Stocks Are Selected as Offering Best Opportunities in Their Respective Classes, Taking Into Consideration Assets, Earnings and Financial Condition of the Companies Named.

	Div. Rate $ per share	Approx. Price	Approx. Yield	†Divid'd Times Earned
Sound Investments				
INDUSTRIALS:				
Mack Trucks, Inc., 1st ....(c.)...	7	105	6.7	(y)2.8
General Motors Corp. ....(c.)...	7	102½	6.8	(y)5.1
Cluett-Peabody & Co. ....(c.)...	7	108	6.8	4.7
Loose-Wiles Biscuit Co. 1st ....(c.)...	7	106	6.6	3.3
Studebaker Corporation ....(c.)...	7	111	6.3	20.0
Schulte Retail Stores Corp. ....(c.)...	8	112	7.1	(w)10.0
Gimbel Brothers, Inc. ....(c.)...	7	105	6.6	3.3
Baldwin Locomotive Works ....(c.)...	7	116	6.0	4.4
Endicott-Johnson Corp. ....(c.)...	7	115	6.1	4.6
American Smelting & Ref. Co. ....(c.)...	7	106	6.6	1.7
American Steel Foundries ....(c.)...	7	107	6.4	5.0
U. S. Industrial Alcohol Co. ....(c.)...	7	106	6.6	4.4
PUBLIC UTILITIES:				
North American Co. ....(c.)...	3	46½	6.4	(w)6.9
Philadelphia Company ....(c.)...	3	46½	6.4	5.6
RAILROADS:				
Chicago & Northwestern ....(c.)...	7	114½	6.1	...
New York, Chicago & St. Louis ....(c.)...	6	90	6.7	(x)2.5
Chesapeake & Ohio conv. ....(c.)...	6.50	107	6.0	4.9
Middle-Grade Investments				
INDUSTRIALS:				
Bush Terminal Buildings Co. ....(c.)...	7	98	7.1	1.1
Coca-Cola Co. ....(c.)...	7	99	7.1	(x)5.1
Brown Shoe Co. ....(c.)...	7	97	7.2	2.5
Bethlehem Steel Corp. conv. ....(c.)...	8	110	7.3	2.8
Cuban-American Sugar Co. ....(c.)...	7	98	7.1	6.4
California Petroleum partic. pfd. ....(c.)...	7	98	7.1	1.8
American Ice Company ....(n.c.)...	6	78	7.7	2.2
Armour & Co. of Del. ....(c.)...	7	93½	7.5	(s) 2.9
Allis-Chalmers Mfg. Co. ....(c.)...	7	103½	6.7	2.8
Associated Dry Goods Co. 1st ....(c.)...	6	94	6.4	8.0
Genl. American Tank Car Co. ....(c.)...	7	98½	7.2	5.4
Natl. Cloak & Suit Co. ....(c.)...	7	100	7.0	...
PUBLIC UTILITIES:				
Radio Corp. of America A pfd ....(c.)...	3.50	48¼	7.1	(w) 2.5
Amer. W. Wks. & Elec. Corp. 1st ....(c.)...	7	100	7.0	(x) 2.2
Metropolitan Edison ....(c.)...	7	100	7.0	...
Public Service of N. J. ....(c.)...	8	111	7.2	(y) 3.4
RAILROADS:				
Baltimore & Ohio ....(n.c.)...	4	66	6.0	...
Bangor & Aroostook ....(c.)...	7	92¼	7.5	2.5
Colorado & Southern 1st pfd. ....(n.c.)...	4	65	6.1	6.2
Semi-Speculative Investments				
INDUSTRIALS:				
Famous Players-Lasky Corp. ....(c.)...	8	105	7.6	(y) 5.7
Pure Oil Co. conv. pfd. ....(c.)...	8	105	7.6	3.5
American Beet Sugar Co. ....(n.c.)...	6	81	7.4	1.3
National Department Stores ....(c.)...	7	99	7.1	4.0
Fisher Body Corp. of Ohio ....(c.)...	8	102	7.8	...
Austin, Nichols & Co.	7	90	7.7	(w) 1.5
Worthington Pump & Mfg. "A" ....(c.)...	7	89½	7.8	2.0
Orpheum Circuit ....(c.)...	8	98½	8.1	(w) 2.5
International Paper Co. ....(c)...	6	73¼	8.2	1.75
PUBLIC UTILITIES:				
Amer. Water Wks. & Elec. 2d pfd. ....(c.)...	6	99	6.0	(w) 1.8
Speculative Investments				
RAILROADS:				
Chicago, Rock Island & Pac. ....(5%)...	7	94½	7.3	(s) 1.35
Gulf, Mobile & Northern ....(c.)...	6	97	6.2	(w) 1.25
Western Pacific ....(c.)...	6	86	7.0	(w) 1.00

(c) Cumulative. (n.c.) Non-Cumulative.
(w) Average for last two years.
(x) Average for last three years.
(y) Average for last four years.
(s) Stock was issued this year.

* Based on average earnings during past six years.
† Average number times earned last five years.

Investors' Indicator

Current Earnings—Dividends—Working Capital

Industrials—	Dollars Earned Per Share 1922	1923	1924 1st Quarter	2nd Quarter	6 Months	3rd Quarter	†Present Rate Div.	Recent Price	Yield on Recent Price (%)	Ratio of Current Assets to Current Liabilities	
Allis-Chalmers	4.11	6.00	2.10	1.81	3.91	2.07	4	72	5.6	6 to 1	December 31, 1923
Ajax Rubber	0.06	def.	....	...	0.23	..	..	12	..	5 to 1	December 31, 1923
Air Reduction	5.23	12.31	3.13	2.69	5.82	1.83	b4	88	4.6	10 to 1	December 31, 1923
Amer. Bosch Magneto	0.27	0.97	1.53	0.31	1.84	def.	..	32	..	2¼ to 1	September 30, 1924
Amer. La France Fire Engine	1.90	1.75	0.39	0.51	0.90	0.65	1	11	9.1	6½ to 1	December 31, 1923
Amer. Druggists' Syndicate	0.63	0.27	....	...	0.12	..	..	6	..	15 to 1	December 31, 1923
Amer. Hide & Leather Pfd.	4.20	def.	1.60	0.29	1.89	0.80	..	69	..	3 to 1	December 31, 1923
Amer. Locomotive	l	21.25	....	...	4.01	..	6	100	6.0	8 to 1	December 31, 1923
Amer. Steel Foundries	4.30	9.70	1.04	1.77	2.81	1.50	3	44	6.8	6 to 1	December 31, 1923
Bethlehem Steel	1.14	5.57	1.91	0.11	2.02	g	..	49	..	5¾ to 1	September 30, 1924
Butterick	3.42	3.90	....	...	2.94	..	..	20	..	2 to 1	June 30, 1924
Central Leather	q	def.	def.	def.	def.	f	..	20	..	8½ to 1	December 31, 1923
Chandler Motor	6.09	7.34	....	...	3.04	..	3	35	8.6	1½ to 1	June 30, 1924
Cluett-Peabody	12.01	14.15	....	...	4.10	..	5	60	8.3	3½ to 1	December 31, 1923
Coca Cola	11.14	7.65	1.49	4.13	5.62	4.42	7	80	8.8	2½ to 1	December 31, 1923
Colorado Fuel & Iron	def.	1.67	1.87	def.	1.38	def.	..	42	..	3½ to 1	December 31, 1923
Corn Products	k4.35	k4.39	k1.11	k0.71	k1.82	k0.83	2	40	5.0	9 to 1	December 31, 1923
du Pont de Nemours	k5.62	13.93	....	...	5.84	..	8	137	5.8	9 to 1	December 31, 1923
Endicott-Johnson	13.77	7.95	....	...	3.18	..	5	70	7.1	2½ to 1	June 30, 1924
Famous Players	14.72	14.98	2.71	1.61	4.32	5.91	8	92	8.7	2¾ to 1	December 31, 1923
General Motors	k8.76	k10.64	k3.40	k1.20	k4.60	k1.63	5	60	8.3	4 to 1	September 30, 1924
Goodrich	0.73	0.80	....	...	2.51	..	..	36	..	4 to 1	June 30, 1924
Gulf States Steel	7.26	12.78	2.86	1.35	4.21	1.26	5	84	6.0	8½ to 1	December 31, 1923
Hayes Wheel	6.50	6.60	2.38	...	2.11	0.44	3	36	8.3	4 to 1	June 30, 1924
Hudson Motor	6.03	6.66	0.90	2.13	3.03	1.75	c3	34	8.8	3½ to 1	November 30, 1923
Lee Rubber & Tire	2.47	def.	def.	def.	def.	def.	..	11	..	2 to 1	December 31, 1923
Mack Truck	9.94	20.71	4.04	6.14	10.18	3.75	6	116	5.2	10 to 1	December 31, 1923
Otis Elevator	k7.64	k9.11	k2.20	k2.44	k4.64	3.36	4	83	4.8	6½ to 1	December 31, 1923
Owens Bottle	4.41	4.47	0.98	1.63	2.61	1.05	3	44	6.8	8 to 1	December 31, 1923
Pierce Arrow pfd	0.10	2.78	0.47	1.06	1.53	1.05	..	48	..	3½ to 1	December 31, 1923
Remington Typewriter	2.77	8.39	2.85	0.95	3.80	..	..	49	..	7 to 1	December 31, 1923
Republic Iron & Steel	j	15.00	3.06	0.05	3.11	def.	..	56	..	6½ to 1	December 31, 1923
Sloss-Sheffield	1.09	20.22	2.63	...	...	..	6	82	7.3	5 to 1	December 31, 1923
Spicer Manufacturing	0.88	2.66	1.01	0.56	1.57	0.35	..	18	..	2½ to 1	December 31, 1923
Stewart-Warner	11.23	14.19	3.15	1.08	4.23	1.37	5	68	7.4	6 to 1	September 30, 1924
Stromberg Carburetor	8.05	11.62	2.72	2.22	4.94	1.32	6	69	8.7	8½ to 1	June 30, 1924
Studebaker	k9.30	k9.22	k1.81	k2.07	k3.88	k1.05	4	45	8.9	3¼ to 1	September 30, 1924
Timken Roller Bearing	6.43	6.74	1.52	1.01	2.53	..	h3	39	7.7	7 to 1	December 31, 1923
United Drug	5.80	8.46	....	...	4.12	..	6	117	5.1	7½ to 1	December 31, 1923
U. S. Rubber	2.68	2.28	....	...	2.04	..	..	40	..	2½ to 1	June 30, 1924
U. S. Steel	2.85	16.43	5.03	3.44	8.47	1.72	d7	118	5.9	4½ to 1	December 31, 1923
Vanadium	0.79	1.84	....	...	1.15	..	..	30	..	Net current assets $4,482,000	
Willys-Overland	def.	5.32	0.60	0.08	0.68	e	..	10	..	5¾ to 1	June 30, 1924
Youngstown Sheet & Tube	....	14.93	3.55	1.63	5.18	0.22	4	60	5.8	5 to 1	December 31, 1923
Oils—											
California Petroleum	‡k4.18	‡k5.09	‡k0.98	‡0.93	‡1.91	‡0.72	1.75	23	7.6	2¾ to 1	December 31, 1923
Cosden & Co.	‡4.25	def.	*3.20	...	*3.70	..	..	26	..	1¾ to 1	December 31, 1923
Houston Oil	‡2.75	‡3.96	‡3.12	‡2.18	‡5.30	‡0.07	..	76	..	4 to 1	December 31, 1923
Marland Oil	‡4.44	‡1.52	‡1.86	‡0.50	‡2.36	‡def.	..	37	..	3½ to 1	June 30, 1924
Pacific Oil	‡3.37	‡2.55	‡0.83	‡0.83	‡1.66	‡0.76	2	52	3.9	2 to 1	December 31, 1923
Pan-American B.	‡11.75	‡8.09	....	...	...	..	4	62	6.5	2½ to 1	December 31, 1923
Phillips Petroleum	*7.80	‡3.02	....	...	‡4.13	..	2	36	5.6	1½ to 1	December 31, 1923
Pure Oil	s	s	....	...	...	..	1.50	29	5.2	4 to 1	March 31, 1924
Sinclair Consolidated	‡3.24	def.	....	...	*1.66	..	..	17	..	2½ to 1	December 31, 1923
Mining—											
American Smelting	‡3.28	8.84	2.50	...	0.46	..	5	90	5.6	5 to 1	December 31, 1923
American Zinc pfd.	0.22	‡def.	*0.62	*0.11	*0.73	*1.00	..	33	..	3¾ to 1	December 31, 1923
International Nickel	p	p	0.14	...	...	..	..	24	..	12 to 1	March 31, 1924
Nevada Consolidated	def.	1.05	0.20	0.18	0.38	0.18	..	15	..	8 to 1	December 31, 1923
Ray Consolidated	def.	0.65	*0.12	*0.17	*0.29	*0.10	..	16	..	6 to 1	December 31, 1923
Utah Copper	1.03	7.09	1.31	1.44	2.75	1.29	4	83	4.8	5 to 1	December 31, 1923

* Before depreciation and depletion.
† Dividend rate covers regular dividends on yearly basis.
‡ After deducting depletion and depreciation.
§ Year ended March 31.
a After deducting depreciation and revaluation of inventory.
b Extra dividend of $1 declared paid Oct. 15.
c 10% stock dividend paid April 15.
d Including extra dividends of 50 cents quarterly.
e Earned 18c a share on preferred.
f Earned 81c a share on preferred.
g Earned 69c a share on 8% preferred.
h 25c extra paid June 5.
j Earned $1.67 on preferred in 1922.
k On present outstanding stock.
l Earned $4.40 on preferred.
p For year ended March 31, 1924, earned 40c a share on common.
q Earned $4.58 a share on preferred.
s Year ended March 31, 1924, earned $3.21 a share, compared with $1.37 a share previous year.

A Declaration of Principles

Or: What the BYFI Department Stands for and What It Doesn't

BUILDING Your Future Income opens the new year with a host of new readers, many of whom meet us for the first time in this issue of The Magazine.

Why isn't this the occasion, then, for a little "Declaration of Principles"—a brief statement of BYFI'S opinions on the major "small investor" fields of the day?

Such a Declaration should serve to clarify our position to old readers as well as new. It should definitely and finally take us out of the class of "middle-of-the-roaders" and let every one know just where we stand.

Here is our Declaration:

WE BELIEVE IN SECURITIES. But, for income builders, we do not believe in marginal trading, in the purchase of options, in "short" selling, in the purchase or sale of speculative issues—or in any other of the paraphernalia and practices of the Active Trader.

The Income Builder, so long as he continues an Income Builder, should in our opinion, be an INVESTOR, first, last and all the time.

* * * *

WE BELIEVE IN BUILDING & LOAN ASSOCIATIONS. In fact, we have become recognized all over the country as a champion of the Building & Loan principle, and our opinion is constantly being asked of individual B & L Associations.

But our belief in the Building & Loan idea does not blind us to the fact that there are many doubtful undertakings operating under the guise of "Building & Loan," that there are several states in which the laws governing Building & Loan operation are comparatively loose, that the field, from the national standpoint, is almost entirely *unstandardized* and unchartable.

Our ideal Building & Loan Association—and we say it frankly—is a strictly mutual undertaking, confines its loans to first mortgages on properties

of limited value, limits individual deposits or subscriptions, subordinates—if it does not entirely discard—fees and fines: In short, our ideal Association operates under laws similar to the Building & Loan Law of New York State and in conformity with the standards set by prominent New York institutions.

* * * *

WE BELIEVE IN LIFE INSURANCE.

* * * *

WE BELIEVE IN HOME OWNING. We would encourage it as one of the most effective means of "saving" money; as one of the best means of building character, as one of the strongest forces in stabilizing the nation.

But we do not fail to recognize that, for many classes, the appeal of home-ownership must be limited. Among such classes are individuals whose "base of operations" is constantly changing—other individuals who, for the time at least, may have more productive use for their funds than in the purchase of a home, and so on.

* * * *

WE BELIEVE IN PERSONAL BUDGETS. We don't know any other means by which the leaks in a given income may be more quickly located—any other way of regulating the finances of a family more soundly and sensibly.

But we deprecate the tendency noticeable in some quarters of carrying the Budget idea to extremes. Our theory, experience, observation and contention is this: The wisely drawn Budget will be an Outline rather than a detailed statement, it will be a Guide, rather than an iron-clad schedule, it will be a Provisionary Estimate, rather than a penny-by-penny allowance sheet.

* * * *

WE BELIEVE IN MORTGAGE BONDS. We accept all of the standard arguments in favor of this field—safety, availability, etc. But we haven't reached the point of mental desuetude necessary to accepting *all* the offerings in this field as gilt-edged. We see a sharp line of cleavage between the offerings of the old, long-established and proven reliable companies in this field—and those of some of the newcomers who have entered it in late years. And we wouldn't advise crossing that line.

* * * *

WE BELIEVE IN THE PARTIAL PAYMENT PLAN. But, in our observation comparatively few reputable houses operate such a department. And, as a Partial Payment operation is no safer than the house through which it is conducted, we see a double-responsibility put upon the Income Builder—first, to select his house and second to select the security purchased through it. Of course, the same "double responsibility" is encountered in all other security operations.

* * * *

WE BELIEVE IN "BANKERS' SHARES". In fact, BYFI was one of the first to commend this security-development.

But our commendation of an idea need not be interpreted as a commendation of any and all attempts to carry out that idea. In our opinion, an offering of "Bankers Shares" should be weighed, first, in terms of the diversity and attractiveness of the securities entailed, secondly, in terms of the comparative cost of such securities, when bought the "Bankers Share" way and when bought through the open market.

* * * *

WE BELIEVE IN THE SAVINGS BANK. But we classify it primarily as a medium for the accumulation of money rather than for the investment of money. It is the ideal first step toward the goal of Financial Independence.

* * * *

There are several other principles which this department entertains, all of which, no doubt, will be outlined and crystallized in our columns during the current year.

The foregoing cover a good part of the ground, however. They serve, we hope, to demonstrate that we see possibilities of good and possibilities of bad in practically every form of investing money and they should also serve to emphasize the importance of wise, mature and well-informed discrimination wherever money is concerned.

What Do You Do With Your Money?

A Few Thoughts on the General Subject of Building a Future Income

WHAT are you doing with your money?

Are you putting it *all* in the Savings Bank? If so, why?

The savings bank is an excellent first step in the process of income building. But it can hardly be called the be-all and end-all of income building.

Savings bank enthusiasts (among whom, by the way, we number ourselves) themselves agree that the savings bank is fundamentally a medium of accumulation rather than investment—a place to put your money while you are working to build up a given principal, but scarcely a place in which to put a given capital with the idea of building up a given income.

Think this over. Your financial progress in the year 1925 may be considerably improved if you do not content yourself with the savings bank alone.

Building & Loan Investments

Are you following the Building & Loan path to financial independence? If so, you are to be congratulated. It is a good path.

But have you thoroughly acquainted yourself with the by-laws and personnel of the Building & Loan Association through which your income-building is being done?

BYFI has repeatedly pointed out the great diversity of laws existing in the various states and controlling Building & Loan operation. The Department has tried to make clear that its championship of the Building & Loan cause is a championship of the principle of building and loan rather than a championship of all its manifestations.

Income Builders will do well, we think, to acquaint themselves with the problems of Building & Loan management before going blindly ahead in this field.

Are You Buying Securities?

Are you buying securities with your funds? If so, what process do you follow in making your selections?

Are you inclined to purchase securities offered you in lurid circulars which come through your mail? If so, bear these thoughts in mind:

Exaggerated claims are seldom fulfilled.

Circulars that are filled with adjectives are seldom filled with facts.

An attractive security does not have to be called "the investment opportunity of the age"—or something of the kind—in order to be sold.

The most important thing to know about a corporate undertaking is: Who is managing it? The next most important thing to know is: What are its assets—and its liabilities? The third most important thing to know is: What is its proven—or provable—earning power? Look for direct and explicit answers to these questions in the next circular that reaches you. If the circular dodges these questions, throw it away.

Perhaps, in selecting your investment securities, you content yourself with merely acting on the judgment of the BYFI department, as revealed in the accompanying "Recommendations Table." If this is your method, change it!

The "Recommendations Table" is carefully compiled. It is confined to sound securities, all of which are believed to be appropriate to the field of income building in general.

But the "Recommendations" are compiled for the benefit of income builders as a whole—not, necessarily, for individual income builders.

To compile a list of investment suggestions suitable to an individual income builder, it were necessary to know all about that individual—how much he has available for investment, whether his investment may be semi-

(*Please turn to page* 421)

BYFI'S Recommendations Table

(For Small Investors)

The securities included in this Recommendations Table are believed to combine something above the average degree of safety along with an attractive yield.

The list is appropriate for the purposes of an income builder who desires to keep his money working to the best possible advantage, but none of the recommendations is intended to apply to the case of an individual entirely dependent upon his surplus funds for support and therefore in no position to assume risks.

$100 Bonds	Recent Price	Yield to Maturity
American Water Works & Elec. Corp. coll. tr. 5s, '34	92⅞	6.20%
Laclede Gas 5½s, '53	95	5.83
Ohio Pub. Serv. 7s, '47	107	6.40

Preferred Stocks	Per Share Dividend Rate	Recent Price	Yield
American Smelting & Refining Co.	$7	106	6.66%
American Ice	6	78½	7.65
Mack Trucks 1st	7	107	6.55
Radio Corp.	3½	48½	7.20
Schulte Ret. St.	8	112¾	7.05

Common Stocks	Per Share Dividend Rate	Recent Price	Yield
Amer. Tel. & Tel.	$9	130	6.85

BYFI's Most Successful Contest

Readers All Over the Country Took Part —Quality of Articles Sets New Standard

THE WINNERS

First Prize:

WILL McCLURE.........New York City, N. Y.

"Financial Independence in 36 Years"

Second Prize:

JOHN BAILEY.................Milwaukee, Wis.

"Financial Independence in the Making"

Third Prize:

"EX-SOLDIER".............South Pasadena, Cal.

"How We Found Happiness"

BYFI'S 1924 Prize Contest, which was closed on December 6th last, was in many ways the most successful contest ever conducted by this Department.

An unusually representative lot of readers took part in the Contest. Manuscripts were received from all over the country, and a few from beyond our borders, while persons in all walks of life contributed. Thus, there was an article from Cairo, Egypt, sent in by a retired American physician who, in his own words, is "now seeing the things I've dreamed of"; there was one from "Ex-Soldier" of South Pasadena, Cal. (one of the Prize Winners, by the way), who had just emerged from a hard financial struggle which had come along on top of the physical struggle he had endured under Uncle Sam; there were dozens of manuscripts from women—some of them young housewives, some business women, one or two of them women who made a special study and practice of investing, and so on.

With the variety in personnel there was also, of course, a considerable variety in subjects chosen. This might have been expected, since BYFI set practically no limit on the subjects that might be used.

However, editorial-judges in the Contest all noticed one feature that most of the manuscripts had in common. That was, a tendency to treat the various subjects adopted along the style regularly followed by the BYFI Department.

This, of course, was immensely gratifying, insofar as it indicated that readers share BYFI's views on money matters and approve of the standards which the Department long since set for itself.

By the time this appears in print, all those who participated in the Contest will probably have heard from the BYFI Department. As stated in preliminary announcements, efforts will be made to find use for every manuscript submitted, regardless of whether or not it happened to be a prize-winner, and a personal announcement to this effect has been prepared for dispatch to each contributor.

A feature of the contest was the good things contributors had to say about the BYFI Department and THE MAGAZINE OF WALL STREET. Said one:

"I liken the BYFI Department to a sort of 'experience meeting' in which we may help each other in the income-building process."

And another:

"Right here I want to offer an unsolicited and grateful testimony to that periodical (THE MAGAZINE OF WALL STREET), its editor and all who make it useful. It set us on the right track quicker than anything else could have done."

And another:

"The BYFI pages of the Magazine are undoubtedly doing wonders to correct such (faulty) conceptions of investment, and it is to be regretted that such an education as they provide cannot reach more individuals of small incomes—particularly those young men and young couples whose 'thrift habits' have not yet been soundly fixed."

And another:

"Some individuals pride themselves on owing money to everybody, others pride themselves on owing nothing; some pride themselves on always being truthful, others pride themselves on being good liars. THE MAGAZINE OF WALL STREET ought to be proud of itself because it always tells its readers the truth."

And one more:

"To my mind, one of the great tasks lying ahead of America's financial journals is, to a greater extent than ever before, . . . the task of educating the public. . . . And I know of no financial journal better qualified to perform this task than THE MAGAZINE OF WALL STREET. It is for this reason that I not only like to read its pages, but like to pass the issues on to others who need its educational services along the lines of safe and sound investments."

Such praise as this is, of course, an immense inspiration to Building Your Future Income. In the year now unfolding, the Department will seek earnestly to become more and more worthy of it.

BYFI took an opportunity in the Christmas Issue to thank all those who co-operated by entering the Contest. We take this opportunity to again express our thanks and to add the hope that the Department will be followed closely by all non-contenders in the coming year, thus preparing several hundred more persons for participation in the next Contest.

Incidentally, those who take part in the next contest will do well if they maintain the standards set in 1924. The manuscripts submitted this time are of a higher average quality—and, in individual cases, of considerably higher specific quality—than was true of any similar group previously obtained.

Financial Independence in 36 Years

A Plan for Moving Upward Which Should Commend Itself to Every Young American

By WILL McCLURE

HABIT is the foundation of both financial *dependence* and *independence.* In the first instance it is the habit of living up to or beyond one's immediate income. In the second, it is the habit of regularly saving a definite proportion of one's earnings.

Every person between the ages of twenty and thirty will acquire one or the other of these characteristics. Since the habits which are formed during this period of life are rarely broken, it follows that the foundations of financial independence are laid during these years.

Yet how few of the schemes for financial independence are so planned that they can be entered into before thirty years of age! The proposition is usually stated that $50 invested monthly at 6% and all interest compounded semi-annually will in 30 years amount to $50,000. But very few persons under thirty years of age are able to save $50 a month. Of those over thirty who are able to save this sum, few do so unless they have already acquired the habit of thrift.

Schemes or plans for financial independence should, therefore, be designed to commence when earnings begin and should be so graduated in amount that the monthly payments will increase with the age and earnings capacity of the average person.

Such an average person would be the young man who begins work at twenty-two years of age and who has either had a college education or its equivalent in experience and training. If he resides and works within a radius of fifty miles of New York City, he probably considers an income of $300 per month as representing financial independence.

I consider myself as typifying the average person. I took my first position in the Fall of 1919 at the age of 24. The plan which I later outlined and have since followed will provide me with an income of $300 monthly in 1955, or when I am 60 years of age. Herewith I show a graph of the plan and the results which can be expected by those who follow it.

THE PLAN IN FIGURES

Assuming an Age of 22 Years at the Outset and an Objective of $300 Per Month at Age 58

	Saved per Month*		Accumulation at End of Each Year		
Year	Out of Salary	Int. at 6% on Mat'ed Shs.	In Building & Loan Ass'n	Invested in Securities†	Total Fund
1	$5		$ 62		
2	10		191		
3	15		390		
4	20		663		
5	25		1,016		
6	30		1,451		
7	35		1,973		
8	40		2,586		
9	45		3,294		
10	50		4,102		
11	55		5,013		
12	60		5,013	$1,000	$6,013
13	60	$ 5	5,075	2,000	7,075
14	60	10	5,204	3,000	8,204
15	60	15	5,403	4,000	9,403
16	60	20	5,676	5,000	10,676
17	60	25	6,029	6,000	12,031
18	60	30	6,464	7,000	13,464
19	60	35	6,986	8,000	14,986
20	60	40	7,599	9,000	16,608
21	60	45	8,307	10,000	18,307
22	60	50	9,115	11,000	20,115
23	60	55	10,026	12,000	22,026
24	60	60	10,026	14,000	24,026
25	60	70	10,150	16,000	26,150
26	60	80	10,407	18,000	28,407
27	60	90	10,772	20,000	30,772
28	60	100	11,261	22,000	33,261
29	60	110	11,911	24,000	35,911
30	60	120	12,721	26,000	38,721
31	60	130	13,708	28,000	41,708
32	60	140	14,892	30,000	44,892
33	60	150	16,295	32,000	48,295
34	60	160	17,910	34,000	51,910
35	60	170	19,732	36,000	55,732
36	60	180	......	59,765 **	59,765

* To be saved in one or more building and loan associations paying 6%.

† High grade bonds and stocks yielding 6%.

** Only $21,920 of which has been saved out of salary.

In 1919, I decided that I could save $5 a month out of my salary of $100. I knew little about securities, although I was working for an investment banker, and, therefore, decided that my funds should be placed in building and loan shares. The association which I chose pays 6%, and its shares, which are payable $1 per month, mature in twelve years and are worth $200 each. Thus by saving $5 per month until 1931, I could expect to have available for investment $1,000.

In the Fall of 1920, I increased my saving in the building and loan association to $10 a month. This meant another $1,000 in 1932. In 1921, I again increased my payments $5 monthly, making the total $15 per month. During this period I had had two increases in salary and one reduction. The latter was due to the depression of 1921. I could easily save the amount mentioned although my salary was only average and I was not living at home.

I added another $5 per month in 1922, got married during the same year and decided, after consultation with my partner in life, that I would increase my building and loan saving $5 per month each year until the total amounted to $60 a month. This would

be the maximum necessary to insure my goal and it would not be reached for eight years. I reasoned that during this period my earnings would increase sufficiently to permit me to do so.

Two of the eight years have passed and I am now saving $30 per month toward my independence fund. Although I could increase the payments, I am not doing it. Whatever funds I am able to save in addition to this $35 a month are going into a separate fund which in two more years will cover the initial payment on a home. In this way, I can secure a home, maintain my payments toward independence and continue to increase them in accordance with my schedule, even though I should secure no increase in salary during the balance of my life.

The maximum rate of $60 per month will not be reached for six more years, or not until 1930. I will maintain this rate of saving for the following 24 years.

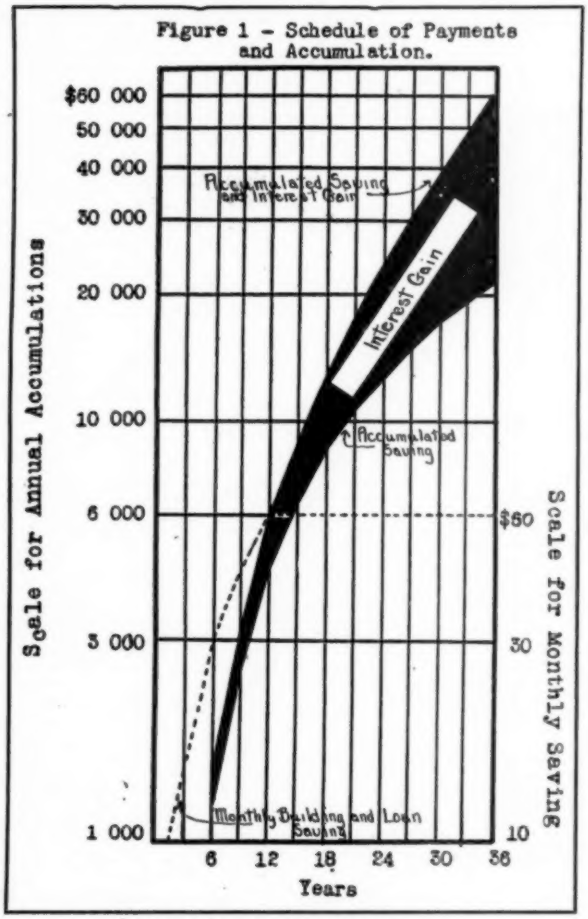
Beginning in 1931

But beginning in 1931 and continuing for the next 12 years, five of my building and loan shares will mature each year. This will mean $1,000 at the end of each year available for investment. At 6 per cent, each $1,000 will yield at the rate of $5 per month. This will enable me to continue to increase my building and loan payments $5 per month each year without making any additional draft on my salary.

At the end of twenty-three years, or in 1942, I will have $12,000 invested in securities, $10,000 in the building and loan, and will be paying into the association $120 per month, of which $60 will be from interest on shares already matured and invested.

Beginning in the twenty-fourth year and continuing for the next 11 years, ten of my building and loan shares will mature each year. By investing each $2,000 as received every year at 6 per cent, I can increase my building and loan payments an additional $10 per month in each of the remaining twelve years.

During the last or thirty-sixth year of my plan, I will be paying $240 into building and loan associations. Only $60 of this sum will be from my salary. The balance, or $180 per month, will represent the monthly interest on $36,000 received from shares already matured. In addition to this I will also have in the association $23,765 in unmatured shares. I will withdraw this sum and invest it at 6 per cent, thereby giving me a total fund of $59,765 and an income of $299 a month—the amount which I had originally set as my goal for financial independence. A complete schedule of payments and a table of accumulations at the end of each of the thirty-six years appears on the opposite page.



The Plan in Graphic Form

Learning at the Beginning

It should be noted that during my more immature years, I will have no funds to invest. All of my savings are paid to a building and loan association. However, I am absorbing considerable investment knowledge and when my funds begin to become available in six years, I expect to be old enough and wise enough to place them where they will be reasonably safe.

When I begin to receive the funds from my matured shares, they will be in large enough sums to place conveniently and the interest to be received therefrom will not remain idle. The increased building and loan payments will absorb all interest regularly.

While the plan which I have outlined was intended primarily for myself, it is elastic enough to fit the needs and salary of any young person. There are many cities and towns in the United States where an income of $150 per month is sufficient for financial independence. Any person desiring an income of this amount needs only to divide the monthly payments in half. The maximum rate to be saved in such a case would be only $30 per month and, as in the plan outlined above, would be reached only after twelve yearly increases of $2.50 per month. There are a vast number of business and professional women to whom such a plan should appeal.

This scheme for financial independence not only develops the habit of thrift during those plastic years from twenty to thirty, and is so planned that it safeguards the young from the wiles of speculation, but it also has the additional advantage that it is adaptable in the country, town or city. There is hardly a town in the United States of any size which does not have one or more sound building and loan associations paying 6 per cent or thereabouts to savers.

Selecting the Investments

Finally, when the funds begin to mature in the association they are available for investment regularly. They come in boom years and in depression years; when bond prices are high and when they are low; in years when stocks should be left severely alone and in years when by all known tests good stocks can be safely bought. Any reader of THE MAGAZINE OF WALL STREET will know just how the funds of any particular year should be placed and can take full advantage of the broad up and down movements of security prices. Thus adding many an additional $100 to the $60,000 my schedule provides.

Why Not Carry Your Own Endowment Insurance?

Getting the Fun and Experience of Handling Your Own Funds and Gaining in Other Ways

By J. H. F.

THE following plan for insurance and investment is one which I have never before seen in print but at the same time I do not claim that it is original with me. It is one which I have been following for the past five years and I am sure that it will be of interest to readers of "Building Your Future Income."

Endowment insurance has for many years been popular as a means of saving. The commonly known "Endowment Policy" is, of course, a combination of an "Ordinary Life" policy and endowment insurance, one premium covering both. Under such a policy if the insured lives until the end of the period, twenty years for example, he gets the face value of the policy but at the same time loses his insurance protection. In other words, he has the money but his beneficiary is left without the protection which the policy had afforded up to that time. If the insured does not live the twenty years his beneficiary gets the face of the policy but does not get the additional sum which has been accumulating to pay off the endowment at the end of the twenty-year period.

I first realized the above about five years ago at which time I converted my Endowment policies into Ordinary Life policies with the idea of carrying my own endowment insurance in the future. Here is how my plan works.

How the Plan Works

We will take as a basis a twenty-year Endowment Policy for $10,000 issued at age 25 and also an Ordinary Life policy for $10,000 issued at the same age. The annual premium in an old-line mutual company for the Endowment policy is $481.00 and the annual premium on the Ordinary Life policy is $201.00. Take out the Ordinary Life policy.

In budgeting your income lay aside each month enough to meet the premium on the *Endowment policy* but only pay for the Ordinary Life. This will leave you a balance of $280 in your insurance reserve each year. Invest this sum at 5% interest each year and reinvest your interest as it comes in by purchasing bonds on the partial payment plan. If it is possible to get better than 5% with absolute safety why, of course, that is so much the better. BUT you MUST have ABSOLUTE SAFETY. Remember this is your endowment fund that you are building up.

The accompanying table shows how this fund will grow over a period of twenty years.

These figures will of course vary according to the age of the insured and the amount of the policy which he takes out. In drawing up this table I did not take into account dividends which may be received on the Ordinary Life policy. They are not a known quantity and my idea is to use them to round out the sum which you have for annual investment to even hundreds or to apply them to payment of premium on the policy if need be. These dividends are a sort of anchor to windward and furnish that elasticity which is often lacking in a systematic plan for saving.

Advantages of the Plan

Here are the outstanding advantages of my plan:

1. *Greater protection for your beneficiary.* Should you die, for example, at the end of the tenth year your beneficiary would receive the face value of your Ordinary Life policy—$10,000, *plus* your invested endowment fund amounting to $3,518.85 or a total of $13,518.85. Under an ordinary En-

How "J. H. F.'s" Personal Endowment Fund Grows at 5% Interest

Year	New Money	Interest at 5%	Annual New Investment	Total Endowment Fund
1st	$280		$280.00	$280.00
2nd	280	$12.00	292.00	572.00
3rd	280	28.60	308.60	880.60
4th	280	44.03	324.03	1204.63
5th	280	60.23	340.23	1544.86
6th	280	77.24	357.24	1902.10
7th	280	95.11	375.11	2277.21
8th	280	113.86	393.86	2671.07
9th	280	133.55	413.55	3084.62
10th	280	154.23	434.23	3518.85
11th	280	175,94	455.94	3874.79
12th	280	193.74	473.74	4348.53
13th	280	217.43	497.43	4845.96
14th	280	242.30	522.30	5368.26
15th	280	268.91	548.91	5927.17
16th	280	296.36	576.36	6503.53
17th	280	325.18	605.18	7108.70
18th	280	355.44	635.44	7744.14
19th	280	387.21	667.21	8411.35
20th	280	420.57	700.57	9111.82

dowment policy the beneficiary would only have received $10,000. The same would be true of any year.

2. *Greater profit to you.* Should you live to the end of the twenty-year period and should you desire to exercise your cash surrender privilege in connection with your Ordinary Life policy you would receive from the insurance company, in which I am insured, $2,305.00 and by this time your endowment fund would amount to $9,111.82; the two totaling $11,416.82. Had you taken out a regular Endowment policy the most that you could have obtained from the insurance company at the end of the twenty-year period would have been $10,000.

3. *You need not lose the protection of your insurance at the end of the twenty-year period.* Should you desire still to keep the Ordinary Life policy effective you can do so as long as you continue to pay the premium and the cash surrender value will be increasing all the time. The interest on your endowment fund if reinvested will shortly bring it up to the $10,000 mark and your beneficiary will still have the protection.

4. The fun and experience gained from handling your own money.

All these advantages can be had at no greater cost than for a regular Endowment policy.

Conclusion

My idea is to stop putting in new money after the twentieth year has been reached and to keep the Ordinary Life policy in effect. The interest from the endowment fund can be used as I see fit at that time or I can use the fund in whole or in part as I may desire.

The only objection that can be offered to this plan, it seems to me, is that few people have the strength of character to carry it out. This does not apply, however, to readers of "Building Your Future Income," I am sure, for if a man cannot carry out a plan like this he cannot carry out *any* plan for systematic saving or for reaching "Financial Independence at Fifty."

Points for Income Builders

Definitions of a Few of the More Frequently Heard Financial Terms

SELLING, in the stock market, takes various forms and is prompted by various factors. Thus, you hear of "realizing sales," "liquidation," "forced selling," "short selling," "panic selling," "selling to establish losses," and so on.

What some of these various kinds of selling involve is suggested in the following definitions.

Liquidation

Liquidation, as generally used, is the opposite of "realizing sales." It may be, and often is, the same thing as "forced selling."

As explained before in Points for Income Builders, liquidation is the process of converting an investment in securities or in property back into cash. But, if an investment that has been made is a good one, if prices are rising and the outlook is encouraging, and if the holder of the investment does not immediately need funds, there will be no good purpose served in effecting such a conversion. It is only when conditions of the opposite sort prevail, then—only when prices are declining, or the outlook poor, or when conditions arise which put the investor in immediate need of cash—that liquidation sets in.

Real liquidation is one of the most important factors in stock-market movements, under one set of conditions, just as investment buying is one of the most important factors under another set of conditions. The investment buying, of course, starts in when conditions through the country generally are good—when men and women throughout the land find themselves with more money on hand than they immediately need. "Liquidation," on the other hand, sets in when the investors of the country begin to find themselves cramped for cash—when they need money to "carry" the unsold goods lying on their business shelves, perhaps, or to meet overhead costs, whether commercial or domestic, which their own incomes have fallen below.

Realizing Sales

Realizing sales are, in a few words, sales made for the purpose of gathering in a profit. Another term often used to convey "realizing sales" is the term "profit-taking."

The steps leading up to "realizing sales" or "profit-taking" are simple enough. A man—or group of men—buys, we will say, a certain stock at $90 per share. The price of the stock rises to $105 per share. On reaching that figure, our buyer, or group of buyers, offers its stock for sale. Their purpose, of course, is to gather in the profit of 15 points, gross, which their commitment has gained for them. They are "realizing" their profit.

Short Selling

The process of "selling short" has been defined so many times in Points for Income Builders, we hesitate to define it at any great length again.

Briefly, a "short sale" is a contract under which "A" borrows from "B" a certain block of stock, and sells that block to "C" at the prevailing market price. "A" does this in the belief that the stock is too high-priced, and that it will decline in price later on, or when the full facts concerning it become known. If "A" is right, the stock does decline in price whereupon Mr. "A" buys a block equivalent to the amount borrowed originally from Mr. "B" and returns it to Mr. "B"—thus completing and terminating the transaction.

Of course, the actual machinery of "short selling" is much more complex than the above "definition" would indicate. However, the general principle involved is not more complex. A man sells short simply in order to put himself into a position whereby he may profit from an expected decline in a given security. That's all there is to it.

BYFI does not need to remind its readers that "short selling" is purely a trading practice—and a very dangerous one, at that.

Panic Selling

"Panic selling" is just what the expression would imply—a great, hysterical wave of liquidation, in which a given stock, or all stocks, are sold without regard for intrinsic values, but solely in response to the general mania of the moment.

Income Builders, experience has shown, might do well to study the psychology and aftermaths of "panic selling." Respectable fortunes have been made in *highest-grade, eminently respectable securities,* by individuals who have been wise enough to put their financial affairs into a highly liquid position before the selling panic breaks and then, even in the midst of the selling, have gone in and bought.

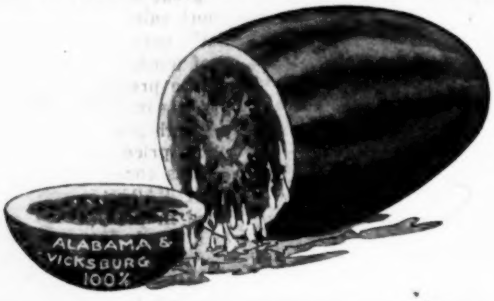
The theory is simply this: What mobs do is always wrong. "Selling panics" are manifestations of the mob spirit. Ergo, when mobs begin to sell, wise and self-controlled individuals will do well to buy. (*Please turn to p.* 413)

What the News Means

—Timely and plain-spoken interpretations of the important financial happenings of the day—

Railroad Melons

—have been rare financial fruit in recent years and railroad lemons plentiful. But the recent declaration of a 100% stock dividend by the Alabama & Vicksburg Railroad Co., presages a bumper melon crop in the next few years. This particular distribution was to reimburse stockholders for capital expenditures made from earnings between 1909 and 1923. The strong earnings of many carriers in the last couple of years means the growth of equities which in time may be distributed in the form of melons.



Dividend on Jewel Tea—

—preferred will be resumed if the stockholders approve the plan of exchanging the present 120,000 shares of $100 par common stock for an equal amount of no-par stock. The suggested dividend basis is $1.75 quarterly on the preferred and $2.50 on account of accumulated preferred dividends, which now total $36.73 on the 32,400 shares of preferred outstanding par $100. Four years ago the company was losing money at the rate of $2,000,000 annually. According to chairman Hancock, at the end of last year the capital impairment of approximately $1,500,000 had been made good, average earnings of $200,000 for each of the two preceding years have been secured and an earned surplus of approximately $500,000 accumulated.

* * *

Gigantic Lead Merger—

—abroad is reported from London. The name of the new concern is to be the Associated Lead Manufacturers, Ltd., and will be an amalgamation of the following concerns: Cookson & Co., Ltd., of Newcastle, the Locke, Lancaster & W. W. R. Johnson & Sons, Ltd., of London, and the Rowe Bros. & Co., Ltd., of Liverpool. The merger is designed to check competition and strengthen the industry abroad. Such a consolidation will work to the advantage of lead producers in this country, among the most important of which are the American Smelting & Refining Co., American Metal Co., U. S. Smelting, Refining & Mining Co. and St. Joseph Lead. The United States together with Canada and Mexico produces about 56% of the world's lead. Europe produces about 25% and Australia 10%.

* * *

Western Bankers Deplore—

—the lack of demand for loans and have been driven to putting their money into short-term cattle paper or that of Eastern corporations. Depositors prefer securities to the low bank interest rates obtaining and are particularly attracted by French and German issues despite the efforts of country bankers to keep local money at home. More than ever before in our history, farm income is going into first-class securities, such as public utility issues and foreign loans. Simply another illustration of the spread of financial intelligence.

* * *

Armour Common Dividends—

—are now in prospect. Annual report, it is said, will show $8,000,000 after preferred dividends which is equal to about $4 a share on the 2,000,000 shares of class "A" common. Not so many months ago a committee of bankers took charge of the affairs of Armour & Co. and those of J. Ogden Armour. The collapse of that great company might have started a panic. Armour & Co. suffered from over-expansion during the war period. Only its huge surpluses enabled the company to last through the five lean years which brought the company's affairs to a crisis. Sufficient argument, it would seem, to warrant the rebuilding of said surpluses.

* * *

Ford Investment Certificates—

—which are available only to employes of the Ford Motor Co., will pay 14% this year, says Detroit. Henry Ford did not originate the idea that the best way to make money is to let the other fellow make money also, but he certainly has elaborated the theory. Bolshevists are as welcome at the Ford plants as a skunk at a lawn party.

* * *

National Supply Co.—

—as the chief distributor of materials and supplies to the oil industry, should be able to show very satisfactory earnings this year. In the first half of the year the company earned better than $4 on its $3,273,000 outstanding stock, par $50. The increasing activity among drillers, which is sure to result from the improved oil situation and prices, plays directly into the hands of National Supply. The stock has a book value in the neighborhood of $90 per share.

* * *

15c for Copper—

—in early 1925 is freely predicted in copper-trade circles. The huge domestic demand coupled with a revived European demand are the reasons. It is up to copper producers not to rock the boat. If they speed up production they are likely to overtake demand, as has happened often in recent years.

* * *

Woolworth's Goodwill—

—item has now been reduced from $50,000,000 to $10,000,000 which is merely another way of burying values. If that goodwill was ever worth $50,000,000—and who will deny it?—the item is now worth twice as much. There is ample precedent, however, for writing down intangible values to a nominal figure.

* * *

Labor's Bank—

—known as The Federation Bank of New York, has gone on an 8% dividend basis one and a half years after opening its doors. During that period of time this bank earned enough not only to wipe out organization expenses, but a balance equal to 14% on the outstanding stock. Formerly la-

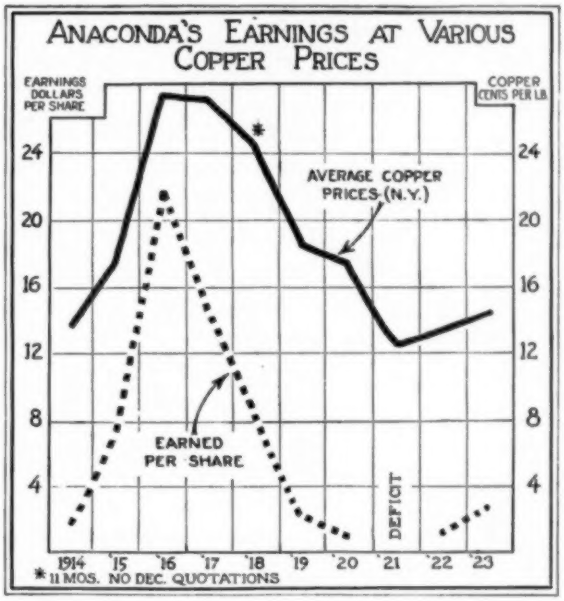
(Please turn to page 418)

Mining

Anaconda Copper Mining Co

What 15¢ Copper Means to Anaconda

Company Starts New Year With Strong Metal Markets—Extent and Variety of Operations—Outlook for Stock



COPPER at 15c a pound means much to Anaconda. The advance in the red metal, from below 13c to a strong 15c, means additional earnings for Anaconda from the copper which it produces from its own mines at Butte, better than $3,000,000 annually, or more than $1 per share on the 3,000,000 shares of stock outstanding.

The Many-Sided Anaconda

To consider this great company as only a mining proposition, however, is merely to regard a part instead of a whole. Mining, to be sure, is the backbone of the company's business, but its other allied interests are both varied and extensive.

In the first place, Anaconda from its own properties and those of controlled companies, turns out about every important metal known to this hemisphere. Last year, for instance, Anaconda produced the following:

Copper	200,779,638	lbs.
Silver	8,568,607	ozs.
Gold	29,726	ozs.
Zinc	140,363,645	lbs.
Coal	698,700	tons

In addition, Anaconda produces large quantities of lead and arsenic and its sawmills last year cut over 100,000,000 feet of lumber. Nor does this exhaust the list of the company's activities.

Anaconda is also in the smelting business, the trading business, the railroad business, the metal selling business, the brass business, the public utility business and the oil business. It is not only a complete unit, but a number of complete units which handle the products produced from the ground to the consumer.

In addition to properties originally owned and those acquired from the former Amalgamated Copper Co., Anaconda owns the Hope Lumber Manufacturing Co., Interstate Lumber Co. and Anderson Mining Co. Anaconda also owns the capital stock of the Butte Water Co., and about 87% of the capital stock of the South Butte Development Co.

The company also owns 297,300 shares of the Inspiration Consolidated Copper Co., 59,600 shares of the Greene Cananea Copper Co., one-half of the stock of the Arizona Oil Co. (the other half being owned by Inspiration Consolidated) 217,040 shares of the 600,000 shares of the Butte Copper & Zinc Co., practically the entire stock of the American Brass Company and 2,200,000 shares or 51% of the capital stock of the Chile Copper Co. Early last year the Metal Sales Corporation was formed to take over the copper-selling business of Anaconda.

Anaconda's Expansion Plans

A few years ago it became obvious that energetic steps must be taken if Anaconda was to remain in the front ranks of copper producers. The increasing cost of mining at deeper levels had cut down the margins of profits so that Anaconda must sell its metal at increasingly higher prices to make good returns to its shareholders. Accordingly, Anaconda embarked upon two broad lines of action. The first was that of large expenditures in the way of labor-saving devices, installation of the most modern mining methods and equipment in order to reduce production costs to the lowest possible point. The second line of action was a policy of expansion into similar and allied lines of business.

In furtherance of this expansion policy, Anaconda greatly increased the amount of its outstanding stock and the total of its funded debt. Anaconda's funded debt now totals approximately $173,000,000, calling for interest charges of nearly $11,000,000 annually. The stock consists of 3,000,000 shares outstanding, par $50, of an authorized issue of 6,000,000 shares or $300,000,000.

During the war period, Anaconda, like all copper companies, made good money, but the post-war period was considerably less than satisfactory, as the graph herewith shows. For a while it looked as though Anaconda had, in the day's parlance, "bitten off more than it could chew." But last year the company was able to earn nearly $3 a share on its stock, a good showing under the conditions.

Anaconda should show earnings for 1924 considerably above the newly resumed dividend requirements of $3 annually. It goes without saying that with the metal at 15c Anaconda starts the new year with better prospects than in a long time.

Anaconda will start the new year with strong metal markets. Copper is selling at 15c at this writing and pointing upwards, lead is very firm at 9¼c a pound, silver is 67c an ounce and spelter is strong at 7½c a pound.

On such prices Anaconda should do very well and if those prices are maintained in 1924 the matter of an increase in Anaconda's dividends would logically come up. *In view of Anaconda's better earnings and improved prospects, the stock at 47 as a speculation does not seem to have fully discounted the company's changed outlook.*

Will Oil Profits Increase in 1925?

Statistical Position of Petroleum Not Menacing—Independents Short of Gasoline—Oil Situation on the Mend

By J. G. SWARTZ

Representative Oil Companies Which Should Benefit From Improved Oil Price Situation

Company	Earned on Stock 1920	1921	1922	1923	Com. div.	Recent price	Annual return %
Gulf Oil Corporation..	$79.94	$25.09	$54.42	*$3.29	$1.50	64	2.3
Marland Oil Co.......	6.21	....	4.45	1.32	...	36	..
Pan American Pet....	9.70	12.94	19.43	7.96	4.00	63	6.3
					4.00	63	6.3
	†1921	*1922*	*1923*	*1924*			
Pure Oil Co..........	2.29	....	1.70	3.57	1.50	27	5.5
	1920	*1921*	*1922*	*1923*			
Standard of Cal.......	10.48	8.39	6.56	2.71	2.00	58	3.4
Standard of Ind.......	11.63	4.96	5.61	4.68	2.50	58	4.3
Standard of Kan......	62.84	45.29	*6.67	8.22	4.00	118	3.3

* On readjusted capitalization. † Years ended March 31.

SELDOM, in recent years at least, has the oil industry approached the New Year with so many seemingly diverse factors confronting it. So diverse, in fact, as to appear confusing to the man who seeks to draw a clearly outlined view of the entire industry.

Production of crude oil, declining for several weeks, has started to climb again and may pass the two-million barrels a day mark. At the same time, producers of Pennsylvania grade oil have withheld their oil from the refiners to the extent that a pipe-line company has been forced to declare an embargo on runs from the wells, owing to congested pipe lines and tankage.

The season of lowest consumption of gasoline is at hand, but tank-car prices of gasoline have, within recent weeks, strengthened remarkably and gasoline, in some quarters, is going direct from refinery into tank car for immediate shipment, storage having been exhausted.

Stocks of crude petroleum held in the United States are the greatest in the history of the industry, yet fuel-oil prices, like gasoline, have soared; the product is scarce and the price is now about double what it was a year ago.

Fitted patiently together, as one would fit the parts of a jig-saw puzzle, the discrepancies are not so alarming after all.

Outlook Favorable on the Whole

The oil industry, more than any other, perhaps, is governed in its ascensions to Paradise or descents into Stygian darkness by the trend of the whole rather than by any temporary or isolated circumstances. And it is the opinion of many well informed leaders of the oil industry that the outlook is favorable.

At first glance, the enormous stocks of crude oil and the refined products of petroleum are staggering. Consider the position of an industry that has approximately 25 per cent of its total investment tied up in inventories. *Close scrutiny of the situation, however, will reveal that fully 90 per cent of the oil above ground is in the hands of companies that are eminently able to carry it.* They have carried it thus far without resorting to new financing. The accumulation of these stocks has been gradual and owned, as they are, by companies whose participation in the industry is in all of its branches and whose profits come, not from the mere storing of oil for the purpose of realizing from an advance in the market, but from the conversion of this oil into products for distribution, the ultimate realization of a profit on this large storage oil is not a speculative matter at all.

On the other hand, there can be no doubt that stocks are too large and the entire industry, from the largest operator to the smallest, would rest more easily if the draft upon these stocks for a sustained period were appreciably greater.

Situation in California

What is the condition of the various parts of the country now with regard to storage?

California, which threw the burden of her surplus production upon the rest of the industry in 1923-24, drew upon storage in October to the extent of nearly one and one-half million barrels. Atlantic seaboard refiners are now unable to obtain contracts for any appreciable amount of California oil; an absolute reversal of the situation prevailing at the beginning of 1924. California's production at one stage of the over-production ordeal was near the million-barrel daily figure; it now is under 600,000 barrels a day.

Some fresh supplies of crude oil are to be had for the drilling in California, but nothing like a repetition of town-lot drilling campaigns which, starting in 1922, caused production to soar to undreamed-of heights in 1923.

Coming further east into the Rocky Mountain oil territory, daily production and refinery requirements are now about equal, with a slight withdrawal of oil from storage occurring in October. This territory has never been important in the broadest sense, but its decline removes a certain state of mind that at one time existed when it was feared that it would have a large oil surplus. This was the opinion about the time of the Teapot Dome leasing. Since that time, Teapot has collapsed and Salt Creek, still a remarkable field, has passed from consideration except as considered over a long period and wholly as a source of supply for its own marketing terri-

tory. Colorado, which experienced widespread publicity a year ago, has still to prove that it will yield more than small, mediocre fields.

In the Mid-continent

In the Mid-Continent, which includes for this discussion Oklahoma, Kansas, Texas, Louisiana and Arkansas, the tendency of production is upward and seems certain to continue in that direction for some time. New fields are so common in Oklahoma as to create little excitement. While the principal recent contributions in that state have been extensions to present fields, he would indeed be rash who would predict that new fields will not be discovered within the next few months.

Texas is on the map again with the Wortham field which, although it may not reach Powell's peak of 350,000 barrels—and few believe it will have a maximum of more than a third of that—is due to repeat Powell's performance in the manner of development. Its peak probably will be reached in the next ninety days, after which its decline should be precipitate.

Louisiana and Arkansas show nothing at this time calculated greatly to increase their output.

Fields east of the Mississippi contribute a total of about 110,000 barrels a day which cannot be largely increased.

Turning to foreign fields contributory to the United States we find that Mexico continues to display a downward trend. Production of the so-called light oil in Mexico is now negligible, viewed in the broader aspect, and the output of heavy oil from the Panuco district is declining. Salt water within recent weeks has wrought havoc with groups of wells, affecting adversely several important properties. Considerable room for further development exists in that region, but the general tendency is downward.

The outlook for Venezuela is that it will, sometime in 1925, be putting 25,000 barrels a day or more into the United States. The Gulf Oil Corporation, particularly, is soon to be drawing upon that country's heavy oil resources, having purchased the necessary shallow draft tankers required to bring the oil out through Lake Maracaibo to stations on the coast where it will be reloaded into seagoing tankers.

Summing up the factors obtaining in the crude-oil situation as of the present, we have a waning supply of oil of the lighter grades, yielding greater percentage of gasoline and an increasing production of the fuel grades.

The increase in the former is at this time wholly in the Mid-Continent area. Declining production of the other sources which have been drawn upon the past two years, viz., California and Mexico, is forcing the large Atlantic seaboard refiners to draw more heavily upon the Mid-Continent. *The base of operations is centering more heavily upon that area and this factor is the key to future price movements.*

Many well informed persons in the industry expect an advance in the price of crude oil in the Mid-Continent territory. They anticipate this increase not because of declining production or the statistical position of the industry, but solely because an advance has been made each previous December for the last two years. Some claim that in recent years this advance has not been justified by actual conditions but has been caused by the desire of the companies holding large supplies of crude to increase their inventory values. Whether this view is correct, it is true that such advances have been premature. The present situation, it would seem, calls for no increase until inventories have been further drawn upon. It would not be surprising, however, to the industry if one were made between now and the first of the New Year.

More than 25 per cent increase in the price of petroleum fuels, both gasoline and fuel oil, has been effected in the past two months. The reason for this has been a matter of some speculative comment, but the cause is not obscure. Statistics show that present stocks of gasoline in the Mid-Continent territory, which is the barometer of the price trend, are only sufficient to supply a 12-day demand. At the same time last year, there was supply equal to about 41-days' demand. It is true that there is a tremendous supply of gasoline in storage throughout the country as a whole, but what is true of the crude oil storage is also true of gasoline stocks. Both are held by strongly entrenched companies.

Independents Short of Gasoline

As stated previously, the Mid-Continent is the key to the situation and this is demonstrated at the present by an actual shortage of gasoline. It is somewhat difficult, at first glance, to reconcile the term shortage with the enormous stocks reported by government bureaus and others, but upon analysis it is seen that the independent refiners, whose plants individually are relatively small, but who in the aggregate provide the motor fuel, equal to about fifty per cent of the total consumption, for the thousands of independent distributers, have virtually no reserve gasoline. It does not matter that the major companies hold large stocks of refined products, so long as they do not dump them upon the market. Their gasoline is not available to the independent distributer.

It is the growing opinion that the price structure of refined products is gradually changing. Fuel oil, once a product to be sold for whatever it would bring, is now coming into its

(*Please turn to page* 435)

Oil Production and Consumption in 1924

	Production plus Imports Bbls.	Indicated Consumption Bbls.	Excess Production over Consumption Bbls.	Domestic Crude Production and Refined Stocks: Production Bbls.	Domestic Crude Production and Refined Stocks: Stocks of Crude and Refined at Refineries Bbls.
January	64,106,292	61,809,578	2,296,714	56,455,000	475,278,236
February	63,524,345	53,782,163	9,742,182	55,454,000	485,020,418
March	69,838,960	59,703,850	10,135,110	59,729,000	495,155,528
April	67,909,605	61,001,338	6,908,267	59,433,000	500,692,000
May	70,906,789	63,968,496	6,938,293	61,653,000	509,000,000
June	67,372,831	63,866,516	3,506,315	59,292,000	512,508,403
July	69,033,927	68,291,635	742,000	61,083,000	513,250,000
August	69,169,720	66,521,111	2,648,609	61,684,000	515,899,000
September	65,756,608	67,874,976	*2,118,368	59,611,000	515,925,220
October	66,066,657	71,065,208	*4,998,551	59,826,000	510,926,669

* Excess consumption over production.

SERVICE SECTION

ANSWERS TO INQUIRIES

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ARMOUR & CO.

Conditions Improving

I bought Armour & Company of Delaware (50 preferred) about a year ago and have held them, although I have been advised to dispose of them. The yield is satisfactory, in fact liberal, and I am wondering if there is an element of uncertainty about the stock that keeps the yield so well above 7 per cent.—G. S., Portland, Me.

The liberal yield basis on which Armour & Co. of Delaware 7% preferred stock still sells is probably a reflection of the trying period through which the company passed after the close of the war and which resulted in large deficits. This impaired its financial strength and necessitated new financing. The situation recently, however, has greatly improved, and the stock is now in a stronger investment position than it has been for some time. Armour & Co. is expected to make an excellent report covering operations for 1924 and the outlook is very favorable for this year's business. We rate Armour & Co. of Delaware 7% preferred stock as a good business man's investment and believe you are justified in retaining it.

JEWEL TEA

Preferred Dividend Accumulations

In 1923 I bought 50 Jewel Tea at 22 and this year bought 50 more at 18¼. Would you hold this stock through the next year or so? What are the prospects for a dividend?—H. O. D., Boston, Mass.

Jewel Tea common stock must be regarded as an uncertain speculation and dividend prospects are rather remote. The stock is preceded by 3.6 million 7% preferred on which accumulated back dividends total 36¾%. These dividends must, of course, be taken care of before consideration can be given to dividends on the common shares. As a speculation, however, the common stock is not entirely without possibilities, as the company has recently shown steady improvement. In 1923, 2% was earned on the common stock after allowing for dividends at the rate of 7% on the preferred, and operations last year are expected to show a still better result. There is a possibility that the accumulated preferred dividends may be taken care of by some plan that would provide for a bond issue to raise the necessary funds, the company at the present time being without funded debt. Should this be done, prospects for dividends on the common shares would be improved. If you are willing to assume the risk incident to holding a decidedly speculative issue, our advice would be to retain the stock at this time.

KELSEY WHEEL

A Consistent Earning Power

Something like two years ago I bought Kelsey Wheel at 108 and although it has paid me 6 per cent dividends right along I haven't seen a market profit. What in your opinion is the outlook for an increase in the dividend. I understand the company will earn at least $12 a share this year?—F. N., Grand Rapids, Mich.

Kelsey Wheel has shown a consistent earning power for a number of years. In the five years 1919-1923 the lowest earnings reported were $14.95 a share. Despite unfavorable conditions existing this year particularly in the spring and summer months, it is estimated that earnings will be at least twice the present dividend of $6. The company has been very conservative in dividend payments which were inaugurated in 1921 at the rate of $6 and maintained at that rate up to the present time. In the past six years nearly $75 a share of surplus earnings have been returned to the property and accordingly substantial equities have been built up behind the common shares. Kelsey Wheel is in sound financial condition and it appears that directors would be justified in adopting a more liberal policy. We consider the stock worth holding.

SHERWIN-WILLIAMS

Earnings Have Declined

I have been holding Sherwin-Williams common stock for several years and while it has not shown any particular market movement it has been a steady dividend payer. What can you give me in the way of information regarding the 1924 earnings and the outlook for 1925? Do you think I am doing well to sit tight and wait for the stock to advance gradually through the next year or so? With so many old time standard companies recently expanding I have half expected Sherwin Williams to do the same. I am speaking from a stock market quotation point of view of course.—J. C., San Francisco, Cal.

Sherwin-Williams Company for the fiscal year ended August 31st, 1924, reported net profits of 3.5 million, equivalent to $4.37 a share on the common stock. This compares with $6.44 a share earned in the preceding fiscal year. Balance sheet as of August 31st, 1924, discloses a strong financial condition with cash on hand of 2.8 million and no bank loans. While earnings in the last fiscal year declined they were nevertheless substantially in excess of present dividend payments of $2.50 per share per annum, and in view of the sound financial condition of the company, we see no reason why dividends cannot be maintained at this rate. Since the close of the company's fiscal year we understand from reliable sources that business has been on a satisfactory basis and indications are the current

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year will show good earnings. Sherwin-Williams is a strong and well managed company and we consider the stock a good long-pull holding. Recent earnings, however, do not appear to warrant an important upward move in the immediate future.

FLEISCHMAN CO.

Stock Appears High Enough

I bought 100 shares of Fleischman Company when it was on the New York Curb several years ago—it cost me about $40 a share, and by selling out now I can double my principal. I have been advised, however, to hold on and have been told the stock is likely to sell at $200 a share within another year. What can you tell me of the company's prospects and the market outlook for the stock?—G. C., Passaic, N. J.

Judging from earnings, as reported by the company, Fleischman stock at present levels appears high enough and we deem it advisable for you to take your profits. For the first nine months of 1924 net income was equivalent to $4.63 a share on the common stock compared with $3.87 a share in the corresponding period of 1923. While this represents a substantial gain in earnings the extensive upward movement that the stock has recently enjoyed appears to have very fully discounted the improvement shown. As far as we have been able to ascertain there are no special developments pending in the affairs of the company other than that extra dividends are likely to be declared from time to time. As the regular dividend rate is only $4 a share, extra dividends amounting to as much as $2 a share per annum, which is the most to be expected, would not warrant higher prices for the stock. An excellent switch, in our opinion, is White Motors, paying $4 and selling around 70. White's earnings are running at the rate of about $14 a share and the outlook for the company's business is excellent.

VIRGINIA-CAROLINA-CHEMICAL

In Receivership

What progress is being made in the reorganization of the Virginia-Carolina Chemical Company? I have heard that there is a movement to discharge the receivers—is it true? Considering the excellent crop outturn this year and the extent of farmer prosperity with its natural influence upon fertilizer sales for next season, I have a hopeful feeling, but I admit it is based on nothing tangible. What can you tell me of the situation?—L. O. N., Harrisburg, Pa.

There have been reports circulated that the Court would be asked to discharge the receivers of the Virginia-Carolina Chemical in view of recent improvement in the company's business. These reports, however, have been without any foundation in fact. Virginia-Carolina-Chemical is heavily burdened with debt and before it can be taken out of receivership arrangements will have to be made for raising of new capital. The improved financial condition of the farmer unquestionably is having a good effect on the fertilizer industry and the outlook is more promising now than it has been for some time. Moreover, the large companies are showing more cooperation and abandoning the disastrous policy of cut-throat competition. In view of the very low prices at which Virginia-Carolina-Chemical stocks are selling and the improving situation in the industry, we deem it inadvisable to sell out now, even though the prospects are that both common and preferred shareholders will have to meet an assessment.

OHIO FUEL OIL

A Switch Suggested

What is the outlook for Ohio Fuel Oil shares? I bought a small holding recently, but at the time had confused it with Ohio Fuel Corporation. I would like to know what you think of the Fuel Oil shares.—M. M., Hartford, Conn.

Ohio Fuel Oil Co. has no connection with the Ohio Fuel Corporation. The latter is a holding company for Manufacturers Light & Heat, Ohio Fuel Supply and Union Natural Gas. Ohio Fuel Oil derives its income from the production of oil and has no connection with any other company. In 1923 profits were equal to 82 cents a share on the stock compared with 64 cents a share in the previous year. While this stock may be worth present prices we do not consider it to have very good prospects for important appreciation in market value and believe you would improve your position by switching to

(Please turn to page 412)

Why the Sugar Stocks are Depressed

Prospects of a Large World Crop Reflected in Lower Prices for this Commodity

While the bull market goes merrily along, I notice that the stocks of sugar-producing companies have not only failed to join in the advance, but have actually declined. What is the reason for this and do you consider that any of these stocks are desirable purchases at current prices?—B. C. H., Wilmington, Del.

A survey of the sugar industry indicates that in 1925 there will be a record breaking world crop and this has naturally had its effect on sugar prices. The January, March and May options are now quoted at prices ranging from 2.80c. to 2.94c. a pound. As sugar producing companies received about 4½c. a pound on the average for their sugar last year, prevailing price levels indicate that earnings this year will be considerably reduced. Nevertheless, the low cost producers are not without prospects of making some money this year. A factor which, in all likelihood, will work to the advantage of Cuban producers is the prospect that the low prices of the year will be seen during the months of greatest production and payments to the Colonos will be based on these low prices. During the summer months when consumption is the largest, prices are likely to be higher and by holding the sugar for the summer market, many companies should be able to sell at a fair margin of profit.

Two years of satisfactory earnings have placed several of these companies in very sound financial condition. Cuban-American Sugar, for example, in the past two years has ploughed back 9.77 million surplus earnings into the property and is in very sound financial condition. Cuba Cane Sugar in the past two years earned a total of $31 a share on the preferred stock and as no dividends were paid 15½ million has been put back into the property and all bank loans paid off. As the outlook is uncertain for the industry at this time, sugar stocks may not enjoy an advance in the immediate future and may even go somewhat lower. However, issues such as Cuban-American common and Cuba Cane Sugar preferred, we consider to have good long pull possibilities at these levels. Great Western Sugar common we also regard favorably from a long pull viewpoint. This is one of the largest producers of beet sugar, is in unusually strong financial condition and earnings for the past two years have averaged about $18 a share.

Second Instalment

How Foreign Bonds Are Rated

THIS instalment completes our ratings of the leading foreign bonds, the first instalment having appeared in the December 6 issue. The bonds are listed according to alphabetical arrangement of countries, those appearing in this issue concluding the list.

We call attention to our adjustable rating system, given herewith, on which our classification of the various bonds depends. This table is worked out on the basis of the relative attractiveness of the securities from the viewpoint (a) of their essential character as investments or speculations and (b) of their yield position in relation to the general money market as this factor applies to securities of their general type.

In the case of the issues grouped in the investment list, the adjustable system is worked out so as to give our position on their desirability from the yield viewpoint as based on the current money market, whereas this was found unpractical with issues of a speculative nature. The desirability of the yields of any of the investment issues will naturally vary as the money market changes and as the individual issues keep pace with money conditions. Broadly speaking, this tabulation should be found of service until there is a marked change in the money situation which may not arise until some months hence.

	Recent Price	Yield (%)	M.W.S. Rating
ITALY—40 mill. pop.; produces cereals, fruits, silk, some iron and steel, small but diversified m'f'res; shortage of coal made up to some extent by water power; currency inflated but stabilized in recent years; tendency to budget deficits overcome, export deficit possibly balanced by "invisible items" incl. emigrant remittances.			
6½s, 1925 (Feb. 1)—10 mill. outst., U. S. gold, denom. $50-5,000; exempt Italian tax	100⅝	6.48	A^3
JAPAN—57 mill. pop., industry rapidly growing at expense of agriculture; produces rice, wheat, tea, silk, iron and steel, copper, precious metals; textiles, camphor, paper, leather, matting. Import excess not significant; budget surplus usually.			
4s, 1931—Outst. 25 million sterling, payable N. Y. in U. S. gold, fixed rate of $4.87 to £; denom. £10-200; callable by lot if less than whole amount is called	82½	7.45	A^3
6½s, 1954—150 mill. outst., U. S. gold, den. $100-1,000; sinking fund begins 1924, 5 to 3 mill. ann.; callable par after 1939	91⅞	7.18	A^3
LYONS—See France.			
6s, 1934—See Bordeaux, joint issue.			
MARSEILLES—See France.			
6s, 1934—See Bordeaux, joint issue.			
MEXICO—14½ mill. pop.; agriculture for domestic consumption, oil and mining (precious metals, copper, lead, zinc) main industries; also hemp, coffee, and balata. Partial or complete defaults frequent because of revolutions since 1912; some payments made under debt refunding plan of 1922, but negotiations still pending; excess of exports and budget surplus in recent years.			
4s, 1945 (assented)—Outst. 102 mill. pesos in £, marks, francs and $; pr. and int. payable U. S. gold; secured on 62% of Mexican impt. and expt. duties; defaulted 1914. Last plan called for resumption of full cash payments. Denom. £20-200	19¼	25.00 (approx.)	A^4
5s, 1945—10 mill. sterling outst., secured on 62% of duties originally; defaulted 1914; int. to be paid in full in cash; denom. £20-1,000	33½	18.50 (approx.)	B^4
4s, 1954—37 mill. outst., U. S. gold, den. $500-1,000; defaulted 1914; plan called for payment in cash of 50% of int. in 1923, 70% in 1924, 90% in 1925, full payment thereafter	16⅝	26.20 (approx.)	A^4
MONTEVIDEO (City of)—See Urugay.			
7s, 1952—6 mill. outst., U. S. gold, $500-1,000; non-callable till 1937; sinking fund to redeem issue by maturity; specially secured on receipts of certain municipal taxes subject to prior lien of sterling loan	90	7.84	A^3
NETHERLANDS—Pop. 7 mill.; agricultural products, coal, salt, fishing; textiles, dairy products, vegetable oils. Large holdings of foreign securities supply "invisible income," counterbalancing import excess.			
6s, 1972—300 mill. guilders outstanding; denom. 2,500 guilders; int. payable N. Y. at curr. rate of exchange on guilders; sinking fund beginn. 1933 to retire issue by mat. through call of $^1/_{40}$ outst. amount at par	102¾	5.78	B^1
6s, 1954—40 mill. outst., U. S. gold, $500-1,000; sinking fund to retire issue at mat. by purch. at par till 1930, lot drawings thereafter	101¾	5.87	A^1
NORWAY—Pop. 2.7 mill.; mining (iron, copper, nickel), fishing, electrochemical industry, timber, paper, oils, tar, main industries; recent budgets vary between surplus and deficit, import excess pronounced; currency somewhat inflated but not dangerously so.			
8s, 1940—18 mill. outst., U. S. gold, $500-1,000; sinking fund 1 mill. ann. begin. 1921, for purch. at 110 till 1930, call at 107½ thereafter; callable at same prices	112¼	6.73	A^3
6s, 1952—18 mill. outst., U. S. gold, $1,000; share any subsequent lien; callable after 1932, when cumulative sinking fund begins	98½	6.11	A^3
6s, 1944—25 mill. outst., U. S. gold, $1,000; sinking fund by lot or funds at par; shares any later lien	99	6.09	A^3

THE MAGAZINE OF WALL STREET'S
Adjustable Rating Tables

	Recent Price	Yield (%)	M.W.S. Rating
6s, 1943—20 mill. outst., U. S. gold, $1,000; share any later lien, int. payable war or peace. Exempt Norwegian taxes	98½	6.13	A^1
PANAMA—Pop. 400,000; produces bananas, cotton, hides, gum. By Treaty of 1904 gets $250,000 ann. from U. S., also 10 mill. in cash, of which 6 mill. invested as Constitutional Fund in N. Y. City real estate. Budget showing fairly good, excess of imports.			
5½s, 1953—4½ mill. outst., largest part Panama's debt; U. S. gold, $500-$1,000; to be retired at mat. by sinking fund through purch. and call at 102½-100; redeemable after 1933 at current sinking-fund price. Secured on income from Const. Fund and allocation of $60-250,000 from U. S. annual payments	101⅜	5.42	A^1
PERU—Pop. 6 mill., incl. many Indians and half-castes; currency on sterling basis. Main product sugar, cocoa, cocaine, rubber, copper, oil, precious metals. Usually export excess, but budget deficits frequent.			
8s, 1932—2½ mill. outst., U. S. gold, $500-1,000; first lien on petroleum taxes; cum. fund for int. and sinking fund ½ mill. ann. by purch. or call at par	99	8.17	A^3
8s, 1944—7 mill. outst., U. S. gold, $500-1,000; sinking fund $700,000 ann., sec. on import duty surtax, real estate taxes, water works revenues, sewage and paving assessments	99½	8.05	A^3
POLAND—27 mill. pop., racial minorities 31% of total; main industry agriculture—wheat, rye, barley, potatoes, etc., sugar beets, livestock; iron and steel, petroleum, salt; zinc, lead (in Upper Silesia); man'f'res include paper, textiles, hardware, glass, chemicals. Currency reorganized on gold basis ("zloty" equals one gold franc) in recent months; import excess and budget deficits frequent.			
6s, 1940, Ser. A—17½ mill. outstanding, U. S. gold, $50-500; redeemable at par after 1931	74	9.12	A^4
PORTO ALEGRE (City of)—See Brazil. 8s, 1961—Outst. 3½ mill., U. S. gold, $500-1,000; city to pay $293,000 ann. for int. and sinking fund, by lot at 105; first lien on taxes for water, drainage and light; guaranteed by State of Rio Grande do Sul	93½	8.58	A^3
PRAGUE, GREATER (City of)—See Czecho-Slovakia. 7½s, 1952—Outst. 7½ mill. doll., 1½ mill. sterling; U. S. gold; cum. sinking fund to retire iss. by mat.; first lien on municipal gas, electric and water works and tramway lines	90⅝	8.38	A^3
QUEENSLAND (State of). 7s, 1941—Outst. 12 mill., U. S. gold, non-callable; exempt Australian or State of Queensland taxes; sinking fund beginn. 1922 at $400,000 ann. for purch. at par to 1926, after which date, 1/15 of amount left to be retired annually at 102½	109	6.14	A^1
6s, 1947—10 mill. outst., U. S. gold, $500-1,000; sinking fund $100,000 ann.; shares any future lien	103⅝	5.72	A^1
RIO DE JANEIRO (City of)—See Brazil. 8s, 1946—11 mill. outst., U. S. gold, $500-1,000; sinking fund $480,000 ann. by purch. up to 105; callable at			

The Magazine of Wall Street's

Adjustable Rating System

as Applied to Foreign Government Bonds

SECURITIES HAVING THIS RATING:	OCCUPY THIS INVESTMENT CLASS:	AND ARE ATTRACTIVE IF THEIR YIELDS EXCEED THIS PERCENTAGE:
	BONDS EXPRESSED IN DOLLARS	
A^1	Unquestioned Financial Strength	5.53%
A^2	Strength Approaching First Rank	6.69
A^3	Fundamentally Sound, but Immediate Future Clouded	7.73
A^4	Further Seasoning Needed to Determine Investment Standing	8.75
A^5	Outlook Discourages Investment	....
	BONDS EXPRESSED IN OTHER CURRENCIES *	
B^1	Currency Near Par, Financial Strength Unquestioned	....
B^2	Currency Well in Hand, Strength Approaching First Rank	....
B^3	Exchange Risk Appreciable	....
B^4	Currency Strong, but Issuing Country Weak	....
B^5	Outlook Discourages Investment	....

* Not enough varieties active in New York to warrant averaging percentages.

THE MAGAZINE OF WALL STREET'S Adjustable Rating Tables

	Recent Price	Yield (%)	M.W.S. Rating
105 after 1931; secured on certain municipal revenues	95⅞	8.42	A^3
8s, 1947—13 mill. outst., U. S. gold, $500-1,000; 1/18 of issue to be ret. ann. by purch. at 105; secured by deposit of 7½ mill. pounds £ bonds having first lien on house tax; guar. unconditionally by Brazilian Government	93⅞	8.62	A^3
Rio Grande do Sul (State of)—See Brazil.			
8s, 1946—9 mill. outst., U. S. gold, $500-1,000; mat. at 105; sinking fund $400,000 ann. for purch. at 105 till 1931, thereafter drawings 1/15 outst. amount ann. at 105; secured by first lien on specified taxes and on net revenues of harbor of Porto Alegre..	95½	8.45	A^3
Rotterdam (City of)—See Netherlands.			
6s, 1964—6 mill. outst., U. S. gold, $500-1,000; sinking fund till 1934 of $200-150,000 ann., purch. at par; balance redeemed in equal semi-annual instalments	100⅛	5.99	A^1
Russia—132 mill. pop., within present boundaries; main products cereals, petroleum, precious metals and platinum, timber, coal, sugar, potash, manganese, hides, furs, tobacco, flax; financial anomalies due to Communist form of Government include non-recognition by U. S. and Japan, unsettled status of defaulted bonds, Gov't monopoly of foreign trade; currency reorganized 1922 into "chervonetz" on gold basis; budget deficits declining.			
6½s, 1919—50 mill. outst., U. S. gold, $1,000-100,000; issued 1916, not paid at maturity	15	...	A^4
5½s, 1921—25 mill. issued, $1,000-10,000; U. S. gold or roubles at commercial sight rate on N. Y.; not paid at maturity	14	...	A^4
Both issues represent pure gambles, on a situation in which there are too many unknown factors for the ordinary methods of financial analysis to apply.			
Sao Paulo (City of)—See Brazil.			
8s, 1952—3.9 mill. outst., U. S. gold, $500-1,000; non-callable; sinking fund beginn. 1923 of $138,000 ann. for purch. at par; first charge on specified taxes	99	8.04	A^3
Sao Paulo (State of)—See Brazil.			
8s, 1936—$10 mill. outst., also £2 mill. and 18 mill. Dutch florins; U. S. gold, $500-1,000; redeemable at 105, callable as whole after 1927 at that price; secured by surtax of 5 fr. per bag of coffee, 44% of which reserved for American portion of loan.......	100½	7.94	A^3
Serbs, Croats and Slovenes (Kingdom of)—Pop. 13 mill., princ. industry agriculture and livestock; coal, copper, zinc, lead, silver; import excess common, budget deficits alternate with surplus; currency somewhat inflated.			
8s, 1962—15 mill. believed outst. of orig. authorized 25 mill., U. S. gold, $100-1,000; cum. sinking fund to retire issue by mat.; first charge on State monopolies and gross receipts of railroads	86½	9.30	A^4
Soissons (City of)—See France.			
6s, 1936—6 mill. outst., U. S. gold; denom. $1,000; secured by deposit of French Government bonds, proceeds from which after interest go to retire outst. bonds by purch. or investment in Canadian Governmental securities	87¼	7.63	A^3
Sweden—Pop. 6 mill., leading industries mining (iron ore, sulphur, manganese, copper), coal; timber, pulp, paper; metal goods, machinery, shipping. Strong financial position, though budget deficits appear in recent past.			
6s, 1939—25 mill. outst., U. S. gold, $1,000; callable after 1929 at 102; exempt Swedish taxation	104	5.60	A^1
5½s, 1954—30 mill. outst., U. S. gold, $500-1,000; red. at par after 1934...	99½	5.53	A^1
Switzerland—4 mill. pop.; much small manufacturing, inc. chocolate, cheese, dairy products, matches, clocks, embroidery, leather; tourist trade important, though not up to pre-war. Small budget deficits not important.			
5s, 1926—20 mill. outst., U. S. gold, $1,000; redeemable as whole at par, exempt Swiss tax..................	100⅞	4.40	A^1
5½s, 1929 (Aug. 1)—24 mill. outst., U. S. gold, $500-1,000; not callable, exempt Swiss tax., some 7 mill. already repurchased	101½	5.16	A^1
8s, 1940—22 mill. outst., U. S. gold, $500-1,000; sinking fund 1 mill. ann. purch. till 1930, by lot thereafter, at 105	114¾	6.50	A^1
5½s, 1946—30 mill., U. S. gold, $500-1,000; redeem. at par after 1934....	99¾	5.52	A^1
Tokio (City of)—See Japan.			
5s, 1952—£4½ mill. pounds outst., also 92 mill. French francs; denom. £20-200. Int. payable N. Y. at curr. rate of exch. on London; sinking fund 1% per ann. by purch. at par to ret. iss. by mat.; first charge on electric light plants and tramways of Tokio, secured with other loans on water and other taxes	64¼	8.31	B^1
Trondhjem (City of)—See Norway.			
6½s, 1944—2½ mill. outst., U. S. gold, $500-1,000; sinking fund to retire issue beg. 1928 by purch. or call at par of 1/16 of outst. issue ann....	97¾	6.70	A^3
Uruguay—Pop. 1½ mill.; produces cereals, linseed, livestock; some precious metals, lead, copper; great exporter meats, tanning extracts, fruit, wool, grain. Normally export excess, budget deficits occasionally.			
8s, 1946—7.2 mill. outst., U. S. gold, $500-1,000; sinking fund $300,000 ann. till 1931, 1/15 of balance ann. thereafter; redeemable after 1931...	105	7.52	A^3
Zurich (City of)—See Switzerland.			
8s, 1945—Outst. 5.6 mill., U. S. gold, $500-1,000; sinking fund 4% ann. by purch. at 107 till 1925, by lot at 107 thereafter; call. at 107 after 1926...	112¼	6.89	A^1

Trade Tendencies

Business Continues to Improve

Gains Recorded Generally — Good Prospects for 1925—Margin of Profit Increasing

BUSINESS conditions are unmistakably improving. The testimony of increasing production at steel, textile and lumber centers shows it. Broadening demand for copper, record freight-car loadings and further moderate uplift in commodity prices are among other indices pointing to the same optimistic conclusion.

There are, nevertheless, irregularities in the situation. Tire manufacturers have restricted operations. The motor industry is in its period of seasonal decline, although there are prospects for material betterment this spring. Here and there the let-down incidental to year-end inventory takings is still evident.

On the whole, the situation is encouraging. Business has not permitted itself to be talked into embarrassing over-extensions. There is a more manifest disposition to clear away over-optimistic verbiage and look at conditions as they really are. This is apparent in the main price trend which is upward but the modesty of whose average gains is sufficient proof of general conservatism.

COMMODITIES

(See Footnote for Grades and Unit of Measure)

	1924 High	Low	*Last
Steel (1)	$40.00	$35.50	$36.00
Pig Iron (2)	23.00	18.50	21.00
Copper (3)	0.14⅞	0.12⅜	0.14⅞
Petroleum (4)	4.50	2.85	2.85
Coal (5)	1.90	1.88	1.90
Cotton (6)	0.35¼	0.23¼	0.24⅛
Wheat (7)	1.80	1.01	1.80
Corn (8)	1.23⅜	0.74	1.23⅛
Hogs (9)	0.09⅞	0.06¾	0.08⅞
Steers (10)	0.11½	0.09	0.10⅜
Coffee (11)	0.24½	0.10¾	0.22⅞
Rubber (12)	0.39	0.17⅝	0.39
Wool (13)	0.70	0.50	0.70
Tobacco (14)	0.24	0.22	0.22
Sugar (15)	0.07½	0.04¼	0.04¾
Sugar (16)	0.09	0.06⅜	0.07⅛
Paper (17)	0.04	0.03⅝	0.03⅝

* Dec. 23.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, $ per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky,—per lb; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

THE TREND IN MAJOR INDUSTRIES

STEEL—Steel industry operating close to 80% of capacity, compared with 60% six weeks ago and 40% during summer slump. *Iron Age* composite of finished steel prices at 2.53 cents a pound against 2.46 cents, October low.

METALS—Copper metal reaches 14⅞ cents a pound, up 2⅞ from year's low of 12 cents, touched in July. Tending upward. Silver off 3½ cents from October high at 72½ cents an ounce.

OIL—Average daily crude output in neighborhood of 1.94 million barrels compared with August peak of 2.05 millions at this time last year.

TEXTILES—Textile manufacturers restoring full time operations. Most of gain made in past two months. Wages in same period cut 10% to 15%.

LEATHER—Price improvement in leather continues. Quotations on union backs firm at 41 cents a pound compared with 36 cents at this time last year. Hides selling around 18 cents a pound for packer brands against 13½ cents year ago.

SUGAR—Cuban raws slump to 3¼ cents a pound on prospects for larger crop in current year and increase in current supply. Refined weak at 7⅛ cents.

MOTORS—November production of passenger cars and trucks totaled 222,127. Output for October was 289,333 and for November, 1923, production amounted to 313,024 cars and trucks. Industry preparing for larger spring business.

TIRES—Crude rubber advances to 39 cents a pound, highest in several years. Tire industry has reduced output moderately.

MACHINERY—Railroad equipment business increasing. Freight cars ordered in October and November totaled 17,605 compared with 6,175 for corresponding period in 1923 and 31,200 in 1922.

COAL—Bituminous coal production averaging 10 million net tons weekly, or somewhat below last year's 10.3 million rate. Demand rather slow.

BUILDING—Shipments of lumber for week ended December 6 were 241.1 million board feet. In corresponding week a year ago, shipments totaled 184.9 millions.

TOBACCO—No halt in upward trend of cigarette consumption. September output of 6.27 billions shows an increase of 12.68% over same month in 1923. Cigar industry not doing quite so well, showing gain of only 1.76% over previous year.

School for Traders & Investors

Forty-Eighth Lesson

Fundamental Factors in Investing

Nature and Classification of Some of the Statistics Studied by the Successful Investor and Trader

IN a recent discussion of our tenth cardinal principle of trading we pointed out that the successful trader could not afford to ignore fundamental conditions and that best results would be secured when a decision was based on the cooperation of fundamental and technical forces. In that discussion the term "fundamental" was used in a broad, general sense, to include all statistical information that might have a bearing, directly or indirectly, general or specific, on the problem in hand.

In order to clear up any misconception with regard to our use of the term, and with a view to taking another step forward in our analysis of the science of marketology, we call attention to an important division of statistics into two general classes, presented briefly and in condensed form in the accompanying tabulation.

Fundamental statistics refer to conditions and forces whose variations influence, bring about, or constitute the so-called major cycle of business prosperity and depression. Their relation to security price movements, for the most part, is indirect and complex. The item of call money is probably the factor nearest to the stock market, for it is frequently observed that a sudden or substantial variation in the call money rate has an influence on speculative activity over a brief period, as it influences directly the cost of carrying stocks on margin, the importance of the factor varying directly with the size of the commitments involved. Other factors, not far removed from the market, are the prices of certain important commodities whose market value may have an important or early influence on the earnings of leading corporations engaged in the production of these commodities. Beyond these, the relationship of the fundamental statistics to security prices becomes rapidly more distant, indirect and complex. At times, variations in some of these factors may be considered as causes for certain stock price readjustments of a general character, but as often, if not more frequently, many of the fundamental variations may be effects rather than causes of general swings in security prices.

It is apparent, therefore, that the study of such fundamental statistics is more important in connection with an effort to determine their probable trend, not for the purpose of forecasting the price movements of stocks directly, but with a view to estimating just what broad changes of importance the stock market should be logically preparing to discount. In the study of such statistics it is important not to fall into the error of placing the cart before the horse.

The second column of our tabulation deals with the statistics of individual corporations. Such figures are available annually, semi-annually, quarterly, monthly, or irregularly, depending on the company's policy in this respect. When a corporation issues complete and frank statements about its operations, and issues such reports at regular and frequent intervals, its shares are likely to have a more natural market

(*Please turn to page 430*)

Statistics Studied by Successful Traders

FUNDAMENTAL STATISTICS

A—Money & Banking
1. Total Gold Reserve
2. Fed. Res. Note Circulation
3. Total Bills Discounted
4. Total Deposits
5. Reserve Ratio
6. Gold Imports and Exports
7. Time and Commercial Paper Rates
8. Call Money Rates

B—Financing & Investments
1. Municipal Financing
2. New Incorporations
3. New Capital Issues
4. Business Failures
5. Bond Yields
6. Dividend Payments

C—Production & Consumption
1. Agriculture
   - a Grain
   - b Cotton
   - c Animals
2. Railroads
   - a New Construction
   - b Equipment
3. Miscellaneous
   - a Iron & Steel
   - b Coal & Oil
   - c Textiles
   - d Non-ferrous Metals
   - e Lumber
   - f Cement
   - g Leather
   - h Paper
   - i Sugar
   - j Automobiles
   - k Tobacco
   - And Other Important Industries

D—Prices
1. Agricultural Products
2. Iron & Steel
3. Non-Ferrous Metals
4. Other Raw Materials

E—Wages

F—Business Psychology

STATISTICS OF INDIVIDUAL CORPORATIONS

Past Records and Future Outlook:

A—Earnings
1. Stability
2. Trend
3. Per Cent on Investment
4. Per Share
5. Comparison with Competitors

B—Financial Conditions
1. Capital Structure
2. Capital Assets
3. Good Will
4. Current Assets
5. Capital Liabilities
6. Current Liabilities
7. Working Capital
8. Working Capital Requirements

C—Nature of the Industry
1. Essential or Non-Essential
2. Seasoned or Unseasoned
3. Stable or Unstable
4. Monopolistic or Competitive
5. Present Trend

D—Business Policy & Management
1. Conservative or Venturesome
2. Reputation Established or Uncertain
3. Dividend Policy Sound or Improvident
4. Does record indicate constructive growth in the interest of the stockholders, or exploitation by controlling insiders?

E—Inventories, Production & Sales

F—Relations with Public
1. Regularity and frequency of Financial Reports
2. Are published reports frank or misleading?
3. Is news authorized for publication accurate, or is it propaganda to assist the manipulation of share prices?

How to Tell When You Must File a Tax Return

Income Tax Department

Conducted by M. L. SEIDMAN, C. P. A.

THIS department, which is conducted by Mr. M. L. Seidman, C. P. A., one of the best known tax experts in the country, will be published regularly until the March 14 issue. To further the scope of this department, Mr. Seidman will answer through our columns any questions bearing on the subject. Questions should be addressed to the Tax Editor, in care of this publication. All communications must be signed, but names will not be disclosed in the published answers.

THE previous article enumerated the class of persons subject to the income tax law. It was there pointed out that all persons who come under the law do not necessarily have to file returns, but that the requirements as to filing returns are covered in a distinct set of rules. It is the explanation of these rules that will form the basis of this article.

So far as the individual is concerned, the requirements are based upon the size of his income. In the first place, every individual that has a gross income of $5,000 or over must file a return. It should be noted that the requirement is a $5,000 *gross* income, not net income. It may be that an individual has no net income, or on the other hand, has actually sustained a net loss. Yet if his gross income is $5,000 a year or over, he must file a return.

Definition of Gross Income

By gross income is meant the total income from salaries, professions, businesses, interest, rent, dividends, etc., before considering the deductions allowed by law. The gross income of a business is determined by deducting from the sales, the cost of the goods sold, giving the gross profit. The point to be borne in mind is that it is not the sales that determine gross income from a business, but rather the amount of gross profit.

The question of gross income will be treated in more detail in a subsequent article. *What should be here remembered is that all individuals who have a gross income of $5,000 or over, must file a return.*

The rule is also laid down that, irrespective of the amount of the gross income, if the net income of a single person is $1,000 or over, he must file a return. No mention is made about any age limitation so that an infant is required to file a return if he has a net income of his own of $1,000 or over, or a gross income of $5,000 or over. Where the infant is unable to make his own return, it must be filed by his guardian or any other person charged with his care. For practical purposes, it can therefore be said that the parent must file the return for a minor child who is unable to file his own return.

It is noteworthy, in this connection, that returns are not required of infants, unless they have income on their own account from their own property. The earnings from services of a child below statutory age, however, legally belong to the parents and must be reported in the parents' returns, unless the minor has been, what is technically called, emancipated. This, too, will be more fully discussed in a subsequent article.

Returns of Married Persons

So far as a married man is concerned, if his *net* income is $2,500 or over, he must file a return, even though his gross income is less than $5,000. This provision changes the law that prevailed when 1923 returns were filed. Under that law, a return had to be made if the net income of a married individual was $2,000 or over. The difference in the laws is accounted for by the change in the exemption allowed married individuals.

There is another factor to consider about the returns of married persons. The husband and wife have the right to file either separate returns in which their income is stated separately, or joint returns in which their incomes are combined. When it is advisable to file a joint return, and when separate returns, will be made the subject of particular discussion at a later time. However, it is pertinent here to note that the husband and wife, though two distinct individuals, are regarded as one for the purpose of determining whether a return must be filed. In other words, if the combined gross income of the husband and wife is $5,000, a joint or separate return must be filed. The same result is true where their combined net income is $2,500 or over.

This covers the law so far as the returns of individuals are concerned. Now, as to the other taxpayers. Although partnerships, as such, are not subject to tax because they are not regarded as an entity distinct from the partners who make up the partnership, every partnership is required to file a return showing its income and to whom that income is distributable. The partnership return is really in the nature of an information return, and supplies the Government with the basis for auditing the partners' individual returns, with respect to their income from the partnership.

Every corporation (except those that are exempt, such as charitable institutions, etc.) must make a return, regardless of the amount of either the gross or the net income. In other words, all corporations that are subject to the income tax law must file a return, even though they need not in fact pay any tax.

Estates and trusts are regarded somewhat as single individuals and must file a return if their gross income is $5,000 or over, or their net income $1,000 or over.

In addition to these returns there may be other supplementary returns, sometimes called information returns, that have to be filed. For instance, employers are required to file returns showing all the employees to whom they paid $1,000 or over during the year. The requirements as to these, however, may best be considered at another time.

As to Exemptions

Up to now there has been explained who is subject to the tax law and who must file a tax return. The subject of exemptions will now be discussed.

Every single person is allowed an exemption of $1,000. That is why a person having a net income of $1,000 or over must file a return.

A married individual is allowed an exemption of $2,500, and that explains why married individuals must file a return if their net income is in excess of $2,500. Under the old law a married individual got a $2,500 exemption if his net income was below $5,000. If above that amount the exemption was $2,000.

The same exemption is allowed the head of a family as is allowed the married individual, namely, $2,500. However, it should be noted that while the head of a family is allowed an exemption of $2,500, he or she must file a return, if the net income is in excess

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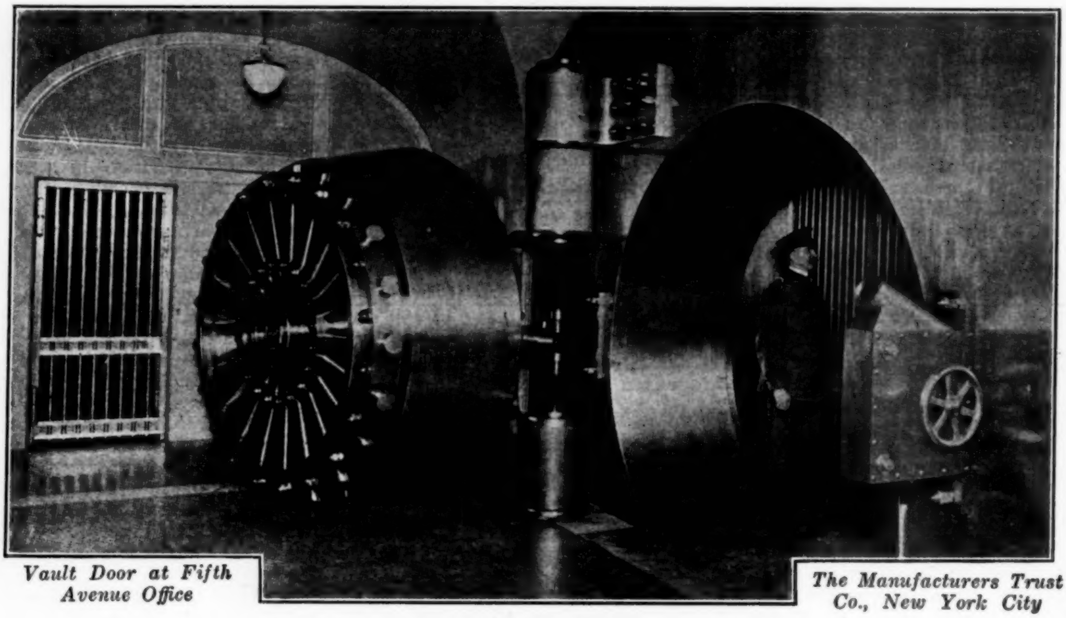
In The Banking World



Vault Door at Fifth Avenue Office

The Manufacturers Trust Co., New York City

Conducted by
H. Parker Willis

Discussions of Current Problems and Reviews of Recent Events Conducted in the Interest and for the Use of the Banker Readers of The Magazine of Wall Street

Mr Willis Was Formerly Secretary of the Federal Reserve Board Later as Director of the Bureau of Analysis & Research. He Developed the Board's Present National System of Financial Reporting

Are Bankers Good Bond Buyers?

Growth of Savings Deposits a Source of Danger to Commercial Banks—Bankers' Experiences in Bond Market—What Should Be Done?

ONE of the subjects which is now attracting the attention of outstanding banking authorities is the status of savings deposits. There is an increasing opinion on the part of responsible bankers that the present savings situation is a source of serious danger and weakness. True, they do not say very much on the subject, but that is because the state of things which is before them is one which they think it is better not to emphasize too much by men who are recognized as having an administrative responsibility in connection with banking. They would undoubtedly be glad to have the public know what is going on because only in that way is it likely that legislative remedies will be sought and applied, but so far as relates to their own policy or any public discussion of the matter it is largely out of the question. Consideration of it is reserved for private sessions among those who are watching the course of banking development with a view to correcting or arresting any dangerous or undesirable tendencies that may show themselves. There, however, it is receiving some pretty serious thought.

The present tendency started with the adoption of the Federal Reserve Act. That act, in order to afford a basis of competition to national banks which were being hard pressed by state institutions, allowed them to accept time deposits with a reserve of only 5% behind such liabilities. This 5% figure was shortly afterward cut to 3% and national banks began to get into the savings deposit business. It was not long before state institutions found themselves more or less hampered by the fact that national institutions could afford to pay a distinctly larger interest, or else to hold out better terms under which compu-

tation of interest would take place, or in some other way to put them at a disadvantage.

Demand for revision of state banking laws ensued and the result was a cutting of the reserve against time deposits, pretty generally throughout the United States, to 3%; the only exception made by some states being found in those cases in which the local banks were not members of the Federal Reserve System. Where they were members they were pretty generally allowed to take deposits on the same basis with national banks thus enabling them to compete sharply with the latter. It is worth while to notice the effect produced by this situation as illustrated in the following brief table:

Total Savings Deposits
ALL BANKS

1912	$8,425,275,000
1923	19,569,953,000

Savings Deposits in National Banks

1912	$1,595,985,000
1923	4,686,337,000

Time Deposits
ALL BANKS

1912	$1,444,763,000
1923	2,511,097,000

State Banking Laws Neutralized

The effect of this change in the holding of savings deposits has been to neutralize the effect of the careful state bank laws relating to savings that had been adopted by a great many states. As is well known, in the effort to protect savings depositors, very detailed legislation prescribing the character of investment to be held and the methods under which savings banks may be conducted have been worked out and have resulted in making savings institutions about as safe and as free from the danger of exploitation as any merely legislative enactment could make them. But these laws have not been extended to the commercial banks, they remain for the most part applicable purely to banks which advertise themselves as "savings banks."

A few states make a futile effort to protect the savings banks by forbidding other banks to announce themselves as having savings departments or taking savings deposits but the effort is largely futile and without result. The savings deposits are drifting to the banks that are able to pay for them as is shown by the figures already given which indicate an increase in such deposits in national banks during the past ten or eleven years of nearly about 300%, against 125% for all other banks. It is significant that the process of increasing savings deposits is going ahead with increasing speed.

The result of this change in the holding of deposits is an important one. One phase of it is found in the gradual building up of a large balance in a good many banks which is being carried in securities. Banks which never had very much in the way of a bond portfolio before are now developing a large one; and, out of their desire to invest their savings funds in real estate, grows the constant demand for the passage of measures like the McFadden Bill which permit a larger latitude of investment in real estate obligations.

The trouble is that the average commercial bank is not well equipped to go into the bond business particularly if situated in the country or in the smaller towns. It has not the expert knowledge of bond fluctuations and conditions, necessary to wise choice. Due to the fact that the various superintendents of the banks are fairly rigid in requiring "write-offs" where bonds have depreciated in value, a hasty or unwise bond purchase policy, resulting from rapid growth of savings deposits under the influence of high interest rates, is likely to cause severe loss.

There has not yet been enough time to show how far commercial banks can be trusted to take care of the savings depositor by holding proper securities at the same time that they are making extensive commercial loans, but in some places events that have occurred have given rise to a good deal of anxiety on the part of supervising authorities. The latter think they have found good reason to fear that there will be danger growing out of the expansion of the savings side of local banking. They likewise fear the use of the funds for the purpose of promoting or meeting the needs of commercial enterprises with the element of risk that is always included in such loans.

THIS article is of vital interest not only to bankers but to individuals who use commercial banks as depositories for their savings. The question is raised whether the careful state bank laws relating to savings are not being neutralized by the extension of savings departments in the commercial banks. The laws have made savings bank institutions about as safe as is humanly possible. But if commercial banks are to be permitted to encroach on this field, the results may not be so fortunate. Already several small banks in the West have failed causing losses to their savings depositors. The situation has evidently developed to a point to require legislative action.

This ought to make a situation in which the examination of the commercial banks that are holding savings is doubly strict. There is, however, very little evidence of this. In fact, some state superintendents say that they see no more reason why they should be more strict than the law requires, and that they expect to let the individual commercial banker hold about what he wants to, provided of course that there is a reasonably active market for the securities so that they can be sold, and so that a regular quotation for them can be obtained, and provided further that the bank makes no objection to being required to charge off paper losses on such bonds whenever market prices vary.

Bankers Not Good Bond Buyers

The danger in the situation thus seen in the fact that bankers are not on the whole good bond buyers, is only partly a result of the fact just explained, that in many places, they lack the expert knowledge and must supply it in a secondary way by getting the aid of experts who are in the bond business. It is also largely due to the fact that banks usually have surplus funds when the bond market is high and money easy, while drafts upon them usually are heaviest when money is high and bond values correspondingly lower.

They are thus prone to buy on a high market and sell out on a low one, the result being that *some examiners state flatly that they have never known a bank which made money in bonds over a series of years.* Be this as it may, the fact is that the commercial bank is inclined to operate in bonds without the full knowledge it should have, and to go into and out of the market, very often, with the result that it comes to possess a portfolio of rather overvalued bonds which of course have to be written off when market values go down.

This situation is particularly dangerous to those commercial banks which have a large deposit line chiefly made up of savings deposits at the same time that they are carrying a large body of bonds behind them and have only a relatively small capital and surplus. Precisely how successful these banks will be in keeping themselves always ready to meet any situation that may develop out of extensive changes in values and corresponding depreciation, is still to be seen. The danger, however, is present and is of course always present in every institution which goes into and out of

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New York Stock Exchange

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-1923		1924		Last Sale Dec. 23	Div'd $ Per Share
RAILS:	High	Low	High	Low	High	Low	High	Low		
Atchison	125⅜	90¾	111¼	75	108½	81¾	120¾	97½	117¾	6
Do. Pfd.	106⅜	96	102½	75	95½	72	95	86½	95	5
Atlantic Coast Line	148½	103½	126	79¾	127	77	152¼	112	149½	8
Baltimore & Ohio	122¼	90⅜	96	38⅝	60¾	27⅝	84⅜	52⅝	78½	5
Do. Pfd.	96	77¾	80	48¼	66¼	38½	66½	54¼	65½	4
Canadian Pacific	283	165	220½	126	170⅞	101	156½	142¾	150½	10
Chesapeake & Ohio	92	51⅛	71	35⅝	79	46	98¼	67¾	92¾	4
Ches. & Ohio Pfd.	..	..	..	..	105⅝	96	100⅛	99½	107	6½
C. M. & St. Paul	165⅜	96¾	107⅜	35	52¾	11¼	18¾	10⅞	16	..
Do. Pfd.	181	120½	143	62⅛	76	20⅛	32⅛	18¼	27⅞	..
Chicago & Northwestern	198⅛	123	136⅞	85	105	45⅞	75¾	49¼	71¼	4
Chicago, R. I. & Pacific	..	..	45¾	16	50	19⅛	50	21½	44½	..
Do. 7% Pfd.	..	..	94¾	44	105	64	97¾	76¾	92½	7
Do. 6% Pfd.	..	..	80	35¾	93¾	54	87½	65⅝	83⅜	6
Delaware & Hudson	200	147½	159½	87	141½	83¼	139⅝	104½	136	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	149⅜	110¾	145	6
Erie	61¼	23½	59½	18¾	22¾	7	35⅜	20¾	30¾	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	33	11⅛	49¼	28⅝	45	..
Do. 2nd Pfd.	39½	19½	45½	13⅛	27⅝	7⅛	46¼	25⅛	42⅛	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅜	50⅝	75	53¾	73	5
Illinois Central	162½	102¾	115	85¾	117½	80⅞	117⅞	100¼	115⅝	7
Kansas City Southern	50¼	21⅜	35⅛	13½	28⅞	13	41¾	17¾	35⅝	..
Do. Pfd.	75½	56	65½	40	59½	40	59½	51¼	57¾	4
Lehigh Valley	121¼	62½	87⅛	50⅜	72	39¾	85	39½	77¾	3½
Louisville & Nashville	170	121	141⅞	103	155	84¾	107½	87⅝	106½	6
Mo. Kansas & Texas	51⅛	17½	24	3⅛	*19¾	*¾	34⅜	10½	28	..
Do. Pfd.	78¼	46	60	6½	*48¾	*2	75¾	29¾	72	5
Mo. Pacific	*77½	*21½	38½	19⅞	38⅞	8¼	34¾	9¾	31⅜	..
Do. Pfd.	..	..	64⅞	37½	63¾	22¼	74	29	72¼	..
N. Y. Central	147¾	90⅜	114¼	62½	107¼	64⅛	119½	99⅛	118½	7
N. Y., Chicago & St. Louis	109¾	90	90¾	55	91½	23⅛	128	72½	120	6
N. Y., N. H. & Hartford	174¾	65⅛	89	21½	40⅞	9⅝	33¼	14⅛	30⅝	..
N. Y., Ont. & W.	55⅜	25½	35	17	30½	14¼	28¼	16	26½	..
Norfolk & Western	119¼	84¼	147⅛	92⅛	125¼	84¼	132½	102½	128⅜	8
Northern Pacific	159½	101¾	118⅞	75	99⅞	49¾	73	47⅞	70¼	5
Pennsylvania	75⅝	53	61½	40¼	49¾	32¼	50	42¼	48¼	3
Pere Marquette	*36½	*15	38½	9½	47⅛	12⅛	73	40½	66	4
Pitts. & W. Va.	..	..	40⅜	17¾	94	21⅛	75¼	38	72	..
Reading	89⅛	58	115⅛	60⅛	103	60¾	79½	51⅞	73	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	56½	34	38½	2
Do. 2nd Pfd.	58¼	42	52	33¾	65½	33¼	56	33⅛	42	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10¾	65	19⅛	61½	5
St. Louis Southwestern	40⅜	18½	32⅛	11	40	10⅞	55⅞	33	50	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	105½	85½	101⅜	6
Southern Ry.	34	18	36¾	12½	38⅝	24¾	79¾	30½	77⅞	5
Do. Pfd.	86⅜	43	85⅛	42	72½	42	83	66¼	82¼	5
Texas Pacific	40½	10¼	29½	6½	70½	14	48⅜	19	45	..
Union Pacific	219	137¾	164⅜	101¼	154¾	110	151⅝	126⅝	149	10
Do. Pfd.	118½	79¾	86	69	80	61⅛	76½	70	75	4
Wabash	*27⅞	*2	17½	7	14⅜	6	24⅜	10¾	21¼	..
Do. Pfd. A	*61¾	*6½	60½	30⅞	38	17	60¾	34	56½	..
Do. Pfd. B	..	..	32⅞	18	25½	12¼	42⅜	22½	†38¼	..
Western Maryland	*56	*40	23	9¼	17¼	8	16¼	8⅛	14⅜	..
Western Pacific	..	..	25½	11	40	12	36⅞	14¾	33⅜	..
Do. Pfd.	..	..	64	35	78	51⅛	86½	58	†84	6
Wheeling & Lake Erie	*12⅞	*3½	27¾	8	18¾	6	17½	7½	15⅛	..
INDUSTRIALS:										
Adams Express	270	90	154½	43	96	33	93½	73½	90½	6
Allied Chem.	..	..	..	..	91¾	34	87½	65	83¾	4
Do. Pfd.	..	..	..	..	115½	83	118⅝	110	118	7
Allis-Chalmers	16	7⅛	49¾	6	59¾	26½	72⅞	41⅝	71½	4
Do. Pfd.	48	40	92	32½	104	67½	104⅞	90	104¾	7
Am. Agr. Chem.	63¾	33½	106	47¾	113¾	10⅛	17⅛	7⅛	13⅝	..
Do. Pfd.	105	90	103½	89⅛	103	25¼	49⅝	18¾	38	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	49½	36	42½	4
Am. Bosch Mag.	..	..	..	..	143⅞	22⅞	38⅞	22¼	31⅝	..
Am. Can	47½	6⅞	68½	19¾	107⅝	21¾	163½	95⅞	152¾	16
Do. Pfd.	129½	98	114½	80	115	72	119	109	116	7
Am. Car & Fdy.	76½	36½	98	40	201	84½	190	153½	189	12
Do. Pfd.	124¾	107½	119½	100	126½	105¾	125	118¾	†121½	7
Am. Express	300	94¾	140½	77⅛	175	76	151¾	88	147⅞	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	14⅝	7¼	†12¼	..
Do. Pfd.	51⅞	15½	94⅞	10	142⅛	29¾	72⅛	50½	68⅛	..
Am. Ice	..	..	49	8⅞	122	37	96	72	87¾	7
Am. International	..	..	62¾	12	132¾	16	35⅜	17⅜	32½	..
Am. Linseed	20	6⅞	47¾	20	95	13	28⅛	13¾	26	..
Am. Loco.	74¾	19	98¼	46⅛	136⅛	58	100¼	70⅛	98¾	6
Do. Pfd.	122	75	109	93	122¼	96½	120½	116¼	†119	7
Am. Safety Razor	..	..	..	..	22	3½	40⅝	35⅜	37	..
Am. Ship & Com.	..	..	..	..	47½	4¾	15⅜	10⅛	11¾	..
Am. Smelt. & Ref.	105½	56⅜	123¾	50¾	89¾	29¼	91⅝	67½	90¼	5
Do. Pfd.	116¾	98¼	118⅛	97	109¾	63¾	107	96	106½	7
Am. Steel Fdys.	74½	24½	95	44	50	18	44⅞	33½	44⅝	3
Do. Pfd.	..	..	..	..	107	78	109¼	101¼	†107	7
Am. Sugar	136¾	99⅞	126½	89⅛	148¾	47⅛	61¾	36	51⅜	..
Do. Pfd.	133½	110	123½	106	119	67½	99⅞	77	†92½	7
Am. Sumatra Tob.	..	..	145¾	15	120⅛	16	28½	6⅜	12¾	..
Do. Pfd.	..	..	103	75	105	32½	69	22½	†40	..
Am. Tel. & Tel.	153¾	101	134½	90⅛	128¾	92⅛	134¾	121⅛	129¾	9
Am. Tobacco	*530	200	256	123	314½	104⅛	89	82⅛	87	7
Do. Pfd.	..	..	..	..	210	100⅛	106½	101	104⅝	6
Am. Woolen	40¾	15	60⅞	12	169½	55½	78⅞	51¼	63⅝	..
Do. Pfd.	107¾	74	102	72½	111⅞	88½	102⅝	90	†95¾	7
Anaconda	54¾	27½	105¾	24¾	77⅞	30	44½	28½	44¼	4
Associated Dry Goods	..	..	28	10	69	48	140½	79	136¼	5
Do. 1st Pfd.	..	..	75	50½	89	49⅞	94	83½	94	6
Do. 2nd Pfd.	..	..	40½	35	93½	88	102	89	†101	7
At. Gulf & W. I.	13	5	147¾	4½	192½	9¼	23	10¾	20	..
Do. Pfd.	33	10	74¾	9⅞	76½	6¾	29⅞	12¼	27⅛	..
Baldwin Loco.	60¾	36½	154½	26⅛	156¾	62¾	132¾	104⅜	129¾	7
Do. Pfd.	107½	100¾	114	90	118	92	117½	110½	115½	7
Bethlehem Steel B.	*51⅛	*18¾	155⅛	89¾	112	41⅛	62½	37¾	48¾	..
Do. 7% Pfd.	90	67	106	62	106	87	97	89¼	†94	7
Do. 8% Pfd.	..	..	110¾	98½	118¾	90	110⅝	102	†108	8

Price Range of Active Stocks

INDUSTRIALS Continued:	Pre-War Period 1909-13 High	Low	War Period 1914-18 High	Low	Post-War Period 1919-1923 High	Low	1924 High	Low	Last Sale Dec. 23	Div'd $ Per Share
Burns Bros. A	45	41	161½	50	147	76	112½	95	99¼	10
Do. B	..	..	..	..	53	21⅛	29	19⅝	21⅝	2
Calif. Packing	..	..	50	30	87½	48¼	104½	80	99½	6
Calif. Petro.	72½	16	42⅛	8	71⅞	15¾	29¼	19½	22½	1¾
Calif. Petro. Pfd	95½	45	81	29½	110½	63	107	92½	98¼	7
Central Leather	51¾	16½	123	25⅞	116½	9⅛	21⅝	9⅞	19	..
Do. Pfd	111	80	117½	94⅞	114	28⅛	58¼	29¼	54¾	..
Cerro de Pasco	..	..	55	25	67½	23	52	40¾	51⅛	4
Chandler Mot.	..	..	109⅞	56	141¼	38¼	66½	26⅞	35⅝	3
Chile Copper	..	..	39¼	11¼	30⅛	7⅛	35½	25⅛	34⅝	2½
Chino Copper	50⅛	6	74	31⅜	50⅞	14¾	28⅜	15	26¼	..
Coca Cola	..	..	..	..	83⅜	18	83⅛	61	79½	7
Colum. Gas & E.	..	..	54⅛	14¼	*114⅞	30¼	47¼	33	46½	2.60
Consol. Cigar	..	..	..	..	80	13½	30	11⅜	26⅝	..
Con. Gas	*165¼	*114½	*150½	*112½	*145¾	56¾	79⅞	60⅞	76⅛	5
Corn Prod	26½	7⅛	50½	7	160½	46	43⅜	31½	40⅞	2
Do. Pfd	98½	61	113½	58⅛	122¾	96	123¾	115⅛	120	7
Crucible Steel	19⅜	6½	109⅞	12¼	278½	49	75¾	48	72	4
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅜	18	10½	12¾	..
Cuban-Amer. Sugar	*58	*33	*273	*38	*605	10⅞	38⅞	28¼	29⅜	3
Endicott-Johnson	..	..	..	..	150	44	73⅜	55⅞	69	5
Do. Pfd	..	..	..	..	119	84	115	105½	113	7
Famous Players	..	..	..	..	123	40	96	61	91¾	8
Do. Pfd	..	..	..	..	107⅜	66	106¾	87⅞	†104½	8
Freeport Tex	..	..	70½	25¾	64⅜	9½	13⅞	7½	10	..
Gen'l Asphalt	42⅞	15½	39¾	14¼	160	23	59⅜	31⅝	56⅝	..
Gen'l Electric	188½	129¾	187¼	118	202¼	109½	296½	193½	250¼	‡8
Gen'l Motors	*51¾	*25	*850	*74½	42	8⅛	62¼	55¾	60⅞	5
Do. 7% Pfd	..	..	99½	72¾	95	68	103½	95⅛	102¼	7
Do. 6% Deb	..	..	..	..	94¾	60	93½	80½	91¾	6
Do. 7% Pfd	..	..	..	..	105	69	93	80	†91	6
Goodrich	86½	15½	80¼	19⅜	93⅜	17⅜	37½	17	35½	..
Do. Pfd	109¾	73⅜	116¾	79⅞	109½	62½	92	70¼	89¼	7
Gt. Nor. Ore	88½	25½	50⅜	22½	52¾	24⅞	39¾	26	33½	4
Houston Oil	25½	8¼	86	10	116½	40½	82½	61	75½	..
Hudson Motors	..	..	..	..	32¾	19½	34⅞	20½	33⅞	3
Hupp Motors	..	..	11¾	2½	29½	4⅛	18	11⅛	16½	1
Inspiration	21⅜	13⅞	74¾	14½	68⅞	23½	31¼	22⅛	30¼	..
Inter. Mer. Marine	9	2⅛	50⅜	⅜	67¾	4⅞	15⅝	6¾	13	..
Do. Pfd	27⅜	12½	125⅜	8	128½	18½	47⅜	26½	43⅝	..
Inter. Nickel	*227½	*135	57½	24½	33⅞	10⅜	25½	11½	24¼	..
Inter. Paper	19¾	6½	75½	9½	91⅜	27⅞	59	34½	52¼	..
Invincible Oil	..	..	..	..	47⅛	5½	16⅞	10½	14¾	..
Kelly Springfield	..	..	85⅛	36⅞	164	20½	35	9¾	17⅛	..
Do. 8% Pfd	..	..	101	72	110⅛	70¼	108	33	50	..
Kennecott	..	..	64¼	25	45	14⅛	54⅞	34⅛	54	3
Lima Locomotive	..	..	..	..	74⅞	52	70¼	50	69	4
Loews, Inc	..	..	..	..	28¾	10	25	15⅛	23¼	2
Loft, Inc	..	..	..	..	28	6	8¼	5½	6½	..
Miami Copper	30⅛	12¾	49¾	16½	32¾	14½	25	20	22⅛	2
Nat'l Lead	91	42½	74⅜	44	148	63½	169¼	123½	158¼	8
N. Y. Air Brake	98	45	136	55⅞	145¾	26⅜	55⅞	36⅛	54½	4
N. Y. Dock	40¼	8	27	9¼	70⅜	15⅛	37⅛	19	†27	..
North American	*87⅞	*60	*81	*38⅞	100⅜	17½	45	22	42	3.40
Do. Pfd	..	..	..	..	48½	31⅞	50¼	43⅞	46½	3
Pacific Oil	..	..	..	..	69⅜	27½	58¼	45	51⅝	2
Pan. Amer. Pet	..	..	70¾	35	140¼	38⅛	65	44¼	62¼	4
Do. B	..	..	..	..	111⅜	34⅛	64⅝	41¼	61⅝	4
Philadelphia Co.	59¼	37	48⅞	21½	50¼	26½	56¾	42⅞	54⅞	4
Phillips Pet	..	..	..	..	69⅜	16	42½	28½	35⅝	2
Pierce Arrow	..	..	65	25	99	6¼	16	6⅛	13⅞	..
Do. Pfd	..	..	109	88	111	13½	54	18⅛	50	..
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅜	45	63¾	48⅝	48¾	..
Pressed Steel Car	56	18½	85¼	17¼	113¾	42½	62	39	58½	..
Do. Pfd	112	85½	109⅛	69	106	80	90	67	81½	..
Punta Aleg. Sug	..	..	51	29	120	24¾	67⅝	37⅜	38⅛	5
Pure Oil	..	..	143⅜	31⅞	61⅞	16¼	30¼	20	28⅝	1½
Ry. Steel Spg	54½	22¼	78½	19	126⅛	67	135⅞	106	132	8
Do. Pfd	113¾	90¼	105½	75	121½	92½	118	113	†115	7
Ray Cons. Cop	27½	7½	37	15	27½	9⅛	17½	9	15⅜	..
Replogle Steel	..	..	..	..	93½	8	23¼	7¼	20⅜	..
Republic I. & S.	49½	15¾	96	15	145	40⅛	61⅞	42	55⅛	..
Do. Pfd	111¼	64½	112⅜	72	106¾	74	95	82	†91¼	7
Royal Dutch N. Y	..	..	86	56	123⅜	40½	59½	40⅜	49⅛	4.42½
Shell T. & T	..	..	..	..	90⅛	29⅛	41½	33	†39½	2.06
Sinclair Con. Oil	..	..	67⅛	25¾	64⅛	16	27⅛	15	16⅝	..
Stand. Oil N. J	*448	*322	*800	*855	*212	30⅞	42½	33	38⅝	1
Do. Pfd	..	..	..	..	118⅛	100⅛	119⅛	115¾	117⅝	7
Stromberg Carb.	..	..	45¼	21	118½	22⅛	84⅞	54½	†66½	6
Studebaker	49½	15¾	195	20	151	37¾	46½	30½	44½	4
Do. Pfd	98⅛	64½	119½	70	118¼	76	115	110	†110	7
Tenn. Cop. & Chem.	..	..	21	11	17¼	6¼	9¾	6¾	8½	..
Texas Co.	144	74½	243	112	57¾	29	45⅜	37¾	42⅝	3
Tex. Pac. C. & O.	..	..	..	..	195	5½	15¼	8	10½	..
Tobacco Prod	145	100	82⅜	25	115	45	72¾	53	71½	6
Transcontl. Oil	..	..	..	..	62⅜	1⅛	6¼	3¾	3⅞	..
United Fruit	208½	126½	173	105	224⅞	95¾	224½	182	†204	10
U. S. Ind. Alco.	57½	24	171½	15	167	35⅛	86⅞	61⅛	84½	..
U. S. Rubber	59½	27	80½	44	143¾	30⅛	42⅞	22½	39⅜	..
Do. Pfd	123½	98	115¼	91	119½	74	95⅜	66½	93½	..
U. S. Smelt. & R.	59	50⅜	81½	20	78¼	18⅜	38	18½	37	8
U. S. Steel	94⅞	41¼	136⅝	38	115½	70¼	119⅜	94¼	117½	‡5
Do. Pfd	131	102½	123	102	123½	104	123	118⅜	122	7
Utah Copper	67½	38	130	48½	97½	41⅛	85⅜	64	84¾	4
Vanadium	..	..	..	..	97	24¾	33½	19⅛	29¾	..
Va.-Caro. Ch.	70⅜	22	60¼	15	92½	6⅛	10⅜	¾	2	..
Do. Pfd	129½	62	115⅜	80	115⅞	17	1½	½	⅝	..
Western Union	36¼	56	105½	53⅜	121¼	76	118¾	105	115¼	7
Westinghouse Mfg	45	24¾	74⅞	32	67⅛	38⅜	70¼	55⅛	68⅝	4
White Motors	..	..	60	30	86	29⅛	72½	50½	70	4
Willys Overland	*75	*50	*325	15	40¼	4⅛	14¼	6⅞	10¼	..
Wilson Co.	..	..	84¼	42	104⅜	19	28	4⅛	6½	..
Woolworth	177⅜	76⅛	151	81⅛	290	100	128¾	72½	122⅛	3

* Old Stock. † Bid price given where no sales made. ‡ Not including extras. §Four shares of old stock exchanged for one of new.

ANSWERS TO INQUIRIES

(Continued from page 399)

Pure Oil. This company has made substantial progress in the past year and we believe it to have a bright future.

J. I. CASE PLOW WORKS

Reports a Deficit

I have held 100 shares of J. I. Case Plow Works for seven years and until recently have felt that I should have taken my loss long ago. It cost me 9½. What is the situation now in the company's affairs? I suppose it is still losing money?—E. S., Springfield, O.

J. I. Case Plow Works for the year ended September 30th, 1924, reported a deficit of $765,592 compared with a deficit of 1.2 million the previous fiscal year and a deficit of 1.3 million for the year ended September 30th, 1922. Although there has been a decided turn for the better in the harvesting machinery manufacturing industry, we believe it has come too late to be of much benefit to this company. Case Plow Works is burdened with bank loans of between 6 and 7 millions and there are 7 millions of preferred stock. Under the circumstances, we see little in the situation to encourage common shareholders.

INTERNATIONAL BUSINESS MACHINE

Earnings Steadily Increasing

I will appreciate an expert opinion from you in regard to the shares of International Business Machine. I have a good profit on 25 shares but do not know if I should accept it or hold for still higher prices.—R. T. S., Lynn, Mass.

International Business Machine for several years has been showing a steady increase in earning power. Earnings last year are estimated at over $15 a share which is the new record high. While, as you say, the stock has had a substantial upward move, nevertheless we believe you are justified in holding for still higher prices. The management of this company has convincingly demonstrated its ability to expand the business and we consider it likely that earning power will continue to grow.

CONTINENTAL CAN

Stockholders Offered Rights

Would you advise me to exercise my right to subscribe to 15 shares of the new stock of Continental Can at $54 a share or should I sell my rights, and hold my stock?—L. R. P., Elizabeth, N. J.

Continental Can directors have authorized issuance of additional common stock at $54 a share to both common and preferred holders who will be given the right to subscribe to 15% of their present holdings. The right to subscribe accrues to holders of record November 24th. In announcing the issue the company stated that it was felt desirable to increase working capital to provide for the

constant and rapid growth of the company's business. In 1923 the company earned $9.21 a share on its common stock and, as the volume of business was approximately 15% greater this year than in 1923, earnings should exceed $10 a share for 1924. This company is engaged in a business that apparently has a very promising future and which holds up well during periods of business depression. In view of the earning power, financial condition and future prospects, we consider Continental Can stock an attractive long-pull holding and believe you are justified in subscribing to the additional shares now offered. Of course, it is ill advised to have too great a proportion of funds tied up in any one security and if, therefore, Continental Can represents a large percentage of your investment funds, we should consider it the best policy on your part to sell out your rights.

POINTS FOR INCOME BUILDERS

(*Continued from page 393*)

Fake Securities

Stalking up and down the land are the "traveling representatives" and pouring through Uncle Sam's mail are the "postal representatives" of an incorrigible group of schemers who cannot refrain from directing into their own laps the flow of easy money which the public has always seemed so willing to share.

These men have many ways of accomplishing their ends. One of their favorite schemes is to form a company whose assets are in reality worthless, paint vivid pictures of its enormous "possibilities" and then sell great quantities of stock in it to the romantic-minded millions whose one ambition in life is to get rich quick.

For the stocks of such companies is reserved the special title of "fake securities." You won't find this title printed on them, but one thoughtless commitment in a stock offered in this way will quickly convince you of its aptness. The answer? *Know whom you buy stocks from!*

For articles to Appear in the January 17th Issue

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ARE YOU USING THE BOND BUYERS' GUIDE?

(Continued from page 371)

ously, in the strict limits of the Bond Buyers' Guide itself, it would be impossible to include mention of all the various factors entering into the bond market—not to speak of the numerous specific factors surrounding the characteristics of particular issues. Such special factors can only be discussed through the text matter appended to the table. On this basis, then, the investor should be careful to read the accompanying text every issue, and thus inform himself on all the special considerations which may influence commitments already made, or in prospect.)

The Guide's Remarkable Record

The record of the Guide since its inception has been remarkable, to say the least. Although purely a bond-market affair, and although its recommendations have been largely confined to the safest issues to be made, the Guide has forecast market movements in individual issues with an accuracy which, in some cases, has bordered closely upon the uncanny.

Take, for example the record of Guide recommendations for 1924, shown in the attached table. The bonds mentioned in this table are some of those which, during the year 1924, appeared at one time or another in the Guide and therefore were specifically recommended either for purchase or sale. It will be seen that, even in the comparatively staid and immobile High-Grade Group, advances of as much as 12½ points occurred in issues singled out for mention in the Guide; that, in the Middle Grade group, advances following recommendations varied from 6 to as much as 18 points; while in the Speculative group, price gains of as much as 25 points in a single issue were recorded.

The Guide's foresight in respect to probable price improvements was, if anything, exceeded by its foresight in respect to probable price declines. This fact is brought out in the record of switch recommendations included from time to time in the comment. For example, following a recommendation to switch out of Chicago & Eastern Illinois 5s into Mo. Kansas & Texas adjustment 5s, the former lost 10 points, while the latter gained 14; and, following a recommendation to switch out of Wilson 7½s into Frisco adjustment 6s, the former declined 33 points while the latter gained 14!

Manifestly, such a record could only be achieved by a Guide which was prepared with the utmost care and after the most expert and exacting appraisal of values and prices.

The record establishes the practical value of the Guide to investor-readers

of The Magazine and commends it to a steady reading.

The Outlook for Bonds

For the benefit of regular readers of the Bond Buyers' Guide, the following paragraph, containing the current position taken by the Guide with respect to the Bond Market, is offered. As stated above, this stand should be considered in connection with the individual recommendations of the Guide itself:

Investors, to whom it is important that only the highest grade issues be considered, had best confine themselves to the strictly high-grade investment class of bonds returning around 5% in the present market, but to those who desire higher yields, the middle-grade issues are available. These bonds are good investments and the holder need have no uneasiness regarding the security of his invested funds. It is in this division, and to a greater extent in the more speculative class—when the issues are well chosen—that contain the best opportunities. However, as previously stated, the latter class contains a measure of risk and is only suitable for those in position to incur this risk for the sake of the possible reward in enhancement of principal and high return.

YOUR $43.45—IS IT SAFE?

(*Continued from page 367*)

mother bank are there for the purpose of establishing connections with the newly born industry; to offer, not the genial hand-shake of a good-natured, incompetent friend of all concerned who has suddenly decided to become a "banker," but instead, the cooperation of a banking house of established character, resources and foresight.

So the Canadian, reading a well-known name nailed up above a shack on the fringes of his country, sees not only the makeshift quarters of the new branch, but, bulking large behind it, the Head Office—impressive with the dignity of doing business for over a hundred years. In a word, he feels safe.

Do you suppose that any one of our luckless 75,000 would object to the same feeling? And how about the ones who will get the short end of the stick in future? Thousands will lose every year through practically no fault of their own, but only through having virtually no choice of adequate banking facilities in scattered localities.

One of the provisions of the Canadian Banking Act is that no bank can be chartered with less than a half million dollars capital. This large capital required discourages the establishment of new banks, but if it keeps the Yellowstone Jacks on the range, doing what they were intended to do and what they know best how to do it, doesn't sound so bad. If it turns the financial sharpers to seek other fields

and at the same time goes a long way toward giving you and me a chance to feel safe about our savings, why then, it's pretty good stuff.

Some day a Senator or a Representative will have nerve enough to propose the establishment of branches by our largest banks. He will be howled at as a tool of "the interests" and all the time-worn epithets will be hurled at him. But isn't it time that we rose above such rubbish?

You probably buy a well-known soap made by the soap interests. It's a good soap and you'll admit you get your money's worth. Your wife will very likely hail with delight the advent of a link of a famous grocery store chain in your neighborhood. Why? Because she gets good value.

Why is it sensible to suppose that the banking interests will come into a little town with the express intention of grabbing everyone by the throat? The cry that they stifle individualism is ridiculous. The small, conservative, trustworthy banker, doing business within his limit and who has made banking his life work has nothing to fear. As for the bank clerk, the branch system offers him untold opportunities. Today's paying teller in Red Wing, Minnesota, may be tomorrow's manager in Herkimer, New York. By the same token this year's manager at Natchez, Mississippi, may be next year's state superintendent. And so on. Many an obscure bank clerk on the treadmill of a little bank with nothing in sight, would give a great deal to have the chance of being thus "stifled."

There is no sound argument against branch banking. If other banks are forced out of business they will nearly always have been the ones who never should have entered it. Big banks are admittedly not in business for their health alone; on the other hand, their officers are men of integrity and foresight who invariably appreciate the fact that that the organizations they represent are greater then themselves; that the honored and respected name of the bank is the thing that must be maintained through the years.

Would such a system be a bad thing for some remote town in North Dakota? Would it wreck such havoc to the fortunes of a hamlet in Maine? Would it impede the pursuit of life, liberty and happiness in Tennessee? You know it would not.

If you are still uncertain of the doubtful pleasure of possessing a useless bank book, "ask the man who owns one." If you would still waver between the bank precariously rooted in local soil and the institution of nation-wide prominence and outlook, ask any one of the ill-fated 75,000 which they would choose.

Think it over. You will perhaps hear many ingenious arguments in favor of things as they are, but the objectors will be hard put to offer a better premium than SECURITY. Security from financial tricksters and well-meaning incompetents alike. Security for you and the ones dependent

on you. That is what branch banking offers you .

Your $43.45 was hard to get and you want to hold it. Can you think of a better way? How about it?

OUR PRINCELY PHILANTHROPISTS

(*Continued from page 362*)

to posterity which will eclipse anything that has gone before.

Aside from the material advantages to those benefited by our modern philanthropists, what are the broad economic results of this deluge of gold poured out for benevolent purposes?

One of the greatest results is the decentralization of wealth. The fear which the Socialists profess to harbor, namely, that the wealth of this country in the course of time will become welded into a mighty financial oligarchy which will enslave the people, has so far proved groundless. And every million dedicated to public purposes is another blow at this pet Socialistic theory.

Another result is the wider distribution of the securities of great corporations. Donors usually make their bequests in the form of the securities of companies which they have developed or the securities of other great corporations in which they have become interested. Most of these bequests are without "strings" in regard to the sale of such securities. In the case of the Rockefeller Foundation the tendency of its investments is away from stocks and bonds and towards "public" securities, i. e., Government issues.

A third important result is the decentralization of power. If vast wealth is handed from father to son as in the case of the Astor fortune, the power which is inherent in such vast wealth goes with it. But if the greater portion of such wealth is given away, corporate control passes from the few into the hands of the many, as in the case of the Rockefeller fortune.

That many evils are inherent in the acquisition of great fortunes cannot be gainsaid. Fortunately for the people of this country most of our great millionaires—and presently the word billionaires will be the vogue—are men of broad humanity who have never forgotten their days of struggle.

The toes Carnegie trod upon in his march to great wealth are but an infinitesimal number as compared to the toes which daily wend in and out of the hundreds of Carnegie libraries. Great benefactions cannot be without great fortunes. Whether our present system, which permits the acquisition of enormous wealth and equally enormous power, is justified, is a debatable subject which does not belong within the purview of this discussion.

In a great many cases, the founders of great fortunes have answered that question, at least as far as they are concerned individually.

WHAT THE NEWS MEANS

(*Continued from page 394*)

bor whined about capital's large profits. Now it goes and does likewise. That is much better. Soon it will be difficult to tell where capital leaves off and labor begins. And the soapbox orators will be deprived of a treasured argument.

* * *

Wall Street's Boom—

—netted the State of New York $1,332,602 in stock transfer taxes for the month of November. Stocks carrying a $2 tax brought in the largest amount and those with $20 in stamps the lowest. Up to December 1 the State had collected approximately $4,000,000 in stock transfer taxes.

* * *

Sears-Roebuck's Plan—

—to enter the retail field by establishment of department stores in their plants at Chicago, Philadelphia, Dallas and Seattle, is an important innovation. The cost of establishing such stores will be low, as it will call for no plant expenditure, while all business done will be on a "cash and carry" basis. Prices will be low enough to make it worth while for the city consumer to purchase from Sears-Roebuck. Thus, in addition to selling to outlying territory, which forms the bulk of its present business, the company will be able to reach the consumer in the densely populated sections.

* * *

A Flood of Copper—

—looms from South America. When the Andes Copper Mining Company, subsidiary of Anaconda, gets going at full it will turn out approximately 200,000,000 lbs. per annum. The company recently issued $40,000,000 bonds to complete its development which has cost $20,000,000 to date. Fortunately for the copper industry, this new production of the red metal is still quite distant. And consumption will continue to increase.

* * *

An Unedifying Spectacle—

—is that of the frantic efforts of those connected with the notorious Sinclair-Prairie Oil & Gas-Standard of Indiana-Continental Trading Co., Ltd., deal, whereby the latter company was a dummy in the purchase of a large amount of oil and made a profit of at least $2,400,000 for Continental stockholders, who prefer to remain anonymous. James E. O'Neill and H. M. Blackmer are in Europe and apparently intend to stay there while H. S. Osler, president of the dummy Continental Co., exhibits an unaccountable lapse of memory and uses every legal subterfuge his lawyers can invent to evade answering certain searching questions. Everything in this odor-

iferous case seems to point to corporate wrong-doing on a big scale. But not a single injured stockholder, apparently, has raised his voice.

* * *

Another Oil Menace—

—is now seen in the new Wortham field in Texas whose prospective production must be revised upwards to the extent of 50% over earlier estimates. Discovery of a lower pay sand that was thought to be present, indicates that this new field will reach a maximum output of 200,000 bbls. a day, instead of half that total. The field is now producing 50,000 bbls. a day. And just as the industry was getting on its feet again. In oil it seems to be "just one d— thing after another."

* * *

Chemical Fertilizer Merger—

—which may not be effected for some time yet, but for which the groundwork is being laid, is that of the amalgamation of the Virginia-Carolina Fertilizer Company, International Agricultural Chemical Corporation and the Davison Chemical Co. As all three operate in the southern section of the country, their amalgamation is logical and the condition of the chemical fertilizer business such that some action of this sort is imperative.

THE MOTORS IN 1925

(*Continued from page* 379)

MOON MOTOR Moon is one of the smaller automobile companies. It has shown commendable growth in the past few years but did not do as well in 1924 as in the preceding twelve months. Nevertheless, net income for the entire year will probably show dividends earned by a fair margin.

As Moon is an assembling proposition, it has no large investment in plants, machinery and the like. Tangible assets at the close of 1923 were equivalent to $9.76 a share for the common stock, which has no bonds or preferred stocks ahead of it. The relatively small intrinsic value of the shares makes them largely dependent upon earning power and, therefore, they are proportionately more speculative than the average motor stock.

The company increased selling prices of its cars from $50 to $100 in October but apparently thought better of this move in November when it slashed them in amounts varying between $130 and $345.

While there is no reason to anticipate a change in the current $3 dividend, Moon common, yielding 13.0% at recent quotations around 23, seems a less desirable speculation than the shares of companies more solidly entrenched.

ARE BANKERS GOOD BOND BUYERS?

(*Continued from page* 408)

the bond market often and tends to buy at high levels.

Need of Remedial Legislation

There is unquestionably a rather serious need for remedial action designed to overcome the conditions that are now developing. It might be brought about by taking measures designed to force a complete separation of savings and commercial banking operations in those banks which conduct the two kinds of business side by side. It might be brought about through requirement that specified kinds of securities shall be carried behind the savings deposits of commercial banks or by combination of both classes of protection upon some satisfactory basis. Unquestionably something of the sort is likely to be called for before long.

In the meantime considerable suffering has already been caused in certain parts of the country where bank failures have taken place, because of the fact that they were carrying so much in the way of unprotected savings. Without waiting for legislation, however, the wise and conservative banker can do some advertising for himself that will help his business at the same time that it safeguards him against possible danger. He can install a complete system of segregation of assets against his time and savings accounts and can show the exact situation of that department of

his business as a separate phase of his statement. In case he should want to go farther and to give to savings depositors a special lien upon the assets which he has purchased for them for the protection of the savings part of his business, he can if necessary effect a separate incorporation, continuing to do the business under the same roof for the express purpose of giving his depositors the satisfaction of knowing that they are in as good a position as they would be if their funds were in a specially safeguarded savings bank.

He can, if he chooses, go further and let it be known that he confines his purchases of securities to those which are listed as saving bank securities under the better state banking laws. Some bankers are already considering a new type of organization along these lines, and an appeal to depositors based upon it. A good many others of course want to use the savings business as a "feeder" to their commercial business and, as things are going, they are not unlikely in some cases to get into trouble through poor management of the savings end of the situation, with corresponding hardship to customers. The whole situation is receiving more and more attention and study and is likely to afford a basis for legislation or proposals looking to it in a number of states during the winter which is now opening.

WHAT DO YOU DO WITH YOUR MONEY?

(*Continued from page* 388)

permanent or merely temporary, what his other holdings are, and so on.

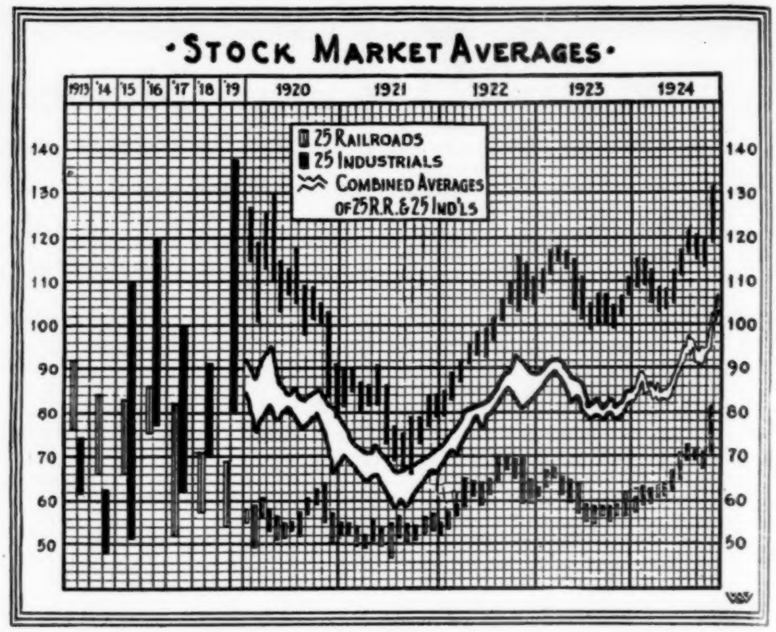
Income Builders, then, are invited to consider the Recommendations Table in terms of their own requirements, needs and desires. It would be an unwise policy to act on it just as it stands and regardless of the appropriateness of its suggestions to the particular case in question.

Other Mediums

Of course, you will understand that there are innumerable other mediums suitable for the purposes of income building besides the few securities mentioned in our Recommendations Table.

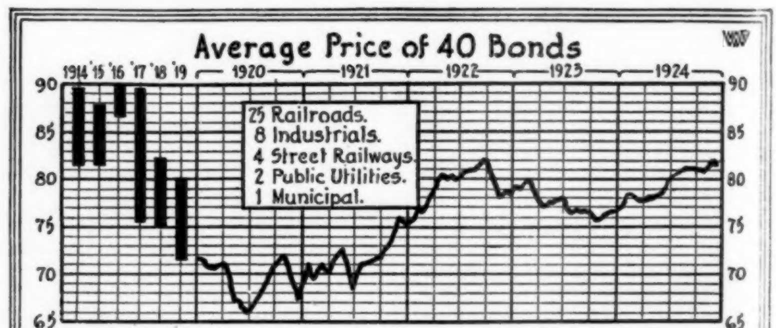
Guaranteed Stocks—Mortgage Bonds—Car Trust Certificates—Endowment Insurance—Land Trusts—Bank Stocks: These are a few of a dozen or more investment types having a definite and peculiar appeal to income builders.

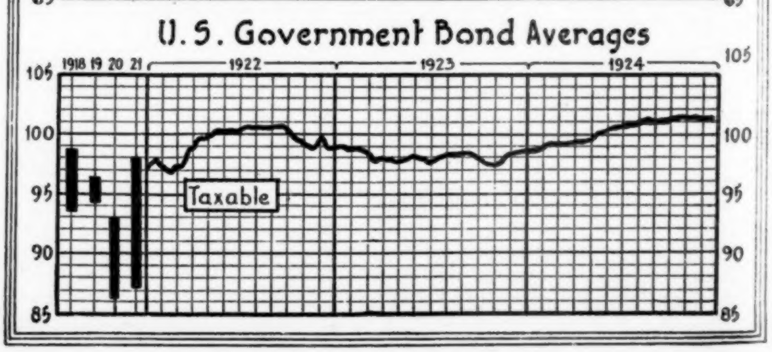
All these "special classes" are described from time to time in the columns of Building Your Future Income. It will pay you to learn what there is to know about them.



MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Thursday, Dec. 11.....	82.04	110.84	95.76	102.18	100.26	1,729,067
Friday, Dec. 12.......	82.11	111.96	96.93	103.22	101.47	1,641,149
Saturday, Dec. 13.....	82.16	112.76	97.30	103.33	102.42	950,300
Monday, Dec. 15.......	81.93	113.40	97.93	103.91	102.74	1,707,004
Tuesday, Dec. 16......	82.04	113.73	98.06	104.76	103.00	1,916,850
Wednesday, Dec. 17...	82.05	114.35	99.31	105.36	103.51	1,907,815
Thursday, Dec. 18.....	82.05	115.17	99.50	105.95	104.04	2,008,182
Friday, Dec. 19.......	82.01	116.13	99.30	106.44	104.45	2,014,452
Saturday, Dec. 20.....	81.96	116.41	99.24	105.77	104.78	886,985
Monday, Dec. 22......	81.85	116.84	98.71	105.83	103.81	1,476,063
Tuesday, Dec. 23......	81.79	115.78	97.88	105.40	103.80	1,074,912
Wednesday, Dec. 24....	81.80	116.74	98.25	105.19	103.80	1,011,940





Important Dividend Announcements

Note—To obtain a dividend directly from the company, the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Pay-able
$6	Am Gas Co......	$1.50	Q	1- 2	1-15
$7	Am Ship Bldg pf.	$1.75	Q	1-15	2- 2
$7	Austin Nichols pf.	$1.75	Q	1-14	2- 2
$3	Balaban & Katz cm	$0.25	M	1-20	2- 2
$4	Balt & Ohio pf...	$1.00	Q	1-10	3- 2
$5	Balt & Ohio cm..	$1.25	Q	1-10	3- 2
$4	Crucible Steel cm.	$1.00	Q	1-15	1-31
$0.64	Fifth Ave Bus....	$0.16	Q	1- 2	1-16
$7	Firestone T & R pf	$1.75	Q	1-31	2-16
$6	Firest'e T & R cm	$1.50	Q	1-10	1-20
—	Lehigh Val Coal..	$1.25	—	1-15	1-31
$5	Mo-Kan-Tex pf A	$1.25	Q	1-15	2-25
$4	NY Air Brake cl A	$1.00	Q	3-10	4- 1
$4	N Y Air Brake cm	$1.00	Q	2- 2	2- 2
$2	N Y Transport....	$0.50	Q	1- 2	1-15
$3	Phila Rapid Tr....	$0.75	Q	1-15	1-31
$1.60	Pick (Albert) cm.	$0.40	Q	1-20	2- 2
$4	Reading Co cm...	$1.00	Q	1-15	2-12
$2	St Joseph Lead...	$0.50	Q	3- 9	3-20
$2	St Joseph Lead...	$0.50	Q	6- 9	6-20
$6	St L- San Fr pf A	$1.50	Q	1-15	2- 2
$6	St L- San Fra pf A	$1.50	Q	4-15	5- 1
$7	Steel Co Canada pf	$1.75	Q	1-10	2- 2
$7	Steel Co Canada cm	$1.75	Q	1-10	2- 2
$6	Tobacco Prod cm.	$1.50	Q	1- 2	1-15
$8	United Lt & R cm	$2.00	Q	1-15	2- 2
$2	United Verde Ex..	$0.50	Q	1- 3	2- 2
$7	West Penn Pwr pf	$1.75	Q	1-15	2- 2
—	Winnipeg Elect cm	$1.00	—	1-15	2- 2
$6	Va Ry & power pf	$1.50	Q	1- 2	1-20

Securities Analyzed

in this Issue

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date*

Aeolian Co. pfd. (7)	85	— 95
Aeolian Weber	19	— 21
Aeolian Weber pfd. (7)	80	— 85
Allied Packers	9½	— 10
Sr. Pfd.	23	— 25
Pr. Pfd.	58	— 60
American Arch (5P)	96	— 99
American Book Co. (7)	114	—118
Amer. Cyanamid (P)	101	—105
Pf. (6)	81	— 84
Amer. Thread pf. (5%)	3¾	— 3⅞
Atlas Portland Cement (4)	118	— ..
Babcock & Wilcox (7)	142	—145
Barnhart Bros. & Spindler:		
1st Pfd. (7) G	102	—105
2nd Pfd. (7) G	95	—100
Beaver Board pfd	35	— 38
Common "A"	6½	— 8
Common "B"	7	— 8
Borden Co. (8)	132	—134
Pfd. (6)	103½	—105
Bucyrus Co.	109	—113
Pfd. (7)	104	—107
Burden Iron part. pfd. (8)	100	—102
Celluloid Co.	39	— 42
Pfd. (8)	92	— 95
Congoleum Co. pfd. (7)	102	—103
Crocker Wheeler	24	— 27
Pfd. (7)	74	— 78
Eisemann Mag. pfd. (7)	40	— 47
Franklin Rwy. S.	87	— 92
Hahe Co. Kilburn pfd.	14½	— 16½
Ide (Geo. P.) & Co., Inc.	7	— 10
Pfd. (8)	67	— 70
Jos. Dixon Crucible (8)	137	—142
Ingersoll Rand (8P)	245	—255
Johns-Manville, Inc. (3P)	130	— ..
Knox Hat	35	— 45
2nd Pfd.	55	— 60
Pr. Pfd. (7)	90	— 95
Lehigh Portland Cement (3)	x63	— 65
McCall Corp'n	80	— 83
Pfd. (7B)	120	— ..
Nat'l Fuel Gas (5P)	107	—109
Nat'l Licorice Co. (5P)	70	— 80
Pfd. (6)	80	— 90
New Jersey Zinc (8P)	183	—188
Niles-Bement-Pond	33	— ..
Pfd.	50	— 56
Phelps-Dodge Corp'n (4)	106	—108
Pierce, Butler & Pierce (8)	100	—105
Pfd. (8)	88	— 92
Poole Engin'g (Maryland):		
Class A	19	— ..
Class B	19	— 21
Purity Baking Co. (3)	65	— ..
Richmond Radiator Co.	26	— 32
Pfd.	95	—105
Royal Bak'g Powder (8)	150	—154
Pfd. (6)	99	—101
Safety Car H. & L. (8)	115	—117
Savannah Sugar (6)	60	— 65
Pfd. (7)	80	— 85
Sheffield Farms (6)	130	— ..
Pfd. (6)	95	—100
Singer Mfg. Co. (7)	188	—192
Singer, Ltd. (England)	3¾	— 4½
Superheater Co. (K)	x120	—123
Technicolor, Inc.	4½	— 5½
Thompson-Starrett (4)	75	— ..
United Bakeries	160	— ..
Pfd. (8)	112	—118
U. S. Trucking A	18	— ..
B	18	— 21
Pfd.	50	— 55
Victor Talk'g Mach. (8)	116	—120
Ward Baking Pfd.	92	— 95
Ward Baking "A"	120	—125
Ward Baking "B"	41	— 44
White Rock (K)	16½	— 18½
2nd Pfd. (5)	85	— 90
1st Pfd. (7)	95	—100
Yale & Towne (4P)	71	— 73

* Dividend rates in dollars per share designated in parentheses.

B—Arrears being discharged at rate of 7% annually in addition to regular dividend rate.

G—Guaranteed as to principal and dividend by Amer. Type Founders.

K—Dividend rate on this stock not established.

P—Plus Extras.

x—Ex-Diivdend.

OVER-THE-COUNTER stocks were generally quiet and firm during the Christmas fortnight. Developments of interest to holders occurred in *Superheater* and *Victor Talking Machine.* The Superheater development was the announcement of a special disbursement of $4 per share declared on the stock. The Victor development was the announcement that, beginning with the new year, operatic and concert stars heretofore not participating in radio broadcasting would start doing so, under an agreement between the Victor Co. and the American Telephone & Telegraph Co.

Phelps Dodge stock showed signs of strength, and the buying in this issue was characterized as of improving quality. This company is one of the large potential copper producers of the United States, and with the recent improvement in copper prices the drought it has suffered under in the past three years may give way to better times. *Beaver Board* issues were less active, but there were few evidences of profit-taking here, despite the recent substantial price gain. Celluloid preferred and common were both stronger.

WHAT ARE THE INVESTMENT POSSIBILITIES OF THE TOBACCO INDUSTRY?

(*Continued from page 384*)

BAYUK CIGARS, INC.

Bayuk Cigars is one of the well-established cigar manufacturing companies that has been making good headway during the past few years. The popularity of its brands is reflected in an increasing volume of production and a progressive growth in earning capacity and financial strength. Its large selling brands are "Prince Hamlet," "Philadelphia Handmade" and "Mapacuba."

The company went through the deflation period in 1920-1921 with an increase rather than a diminution of earning power. In 1920, it earned $3.28 per share and in 1921, $4.93 per share. Profits in 1922 jumped to $14.56 per share, but declined to $9.18 in 1923. There are only approximately 77,000 shares of no par value stock outstanding, and accordingly a relatively small fluctuation in earning power makes a comparatively large variation in per share earnings. Current assets at the end of 1923 totalled $6,424,369 compared with current liabilities of $1,733,083; this favorable relationship will be bettered by the addition of this year's surplus earnings.

No dividends have been paid on the common stock, although the earnings of the past two years would justify such dividends. Apparently, the management has taken the position of building up working capital and establishing a stable earning basis before considering the inauguration of dividends, an attitude that is commendable although tiring to the patience of the shareholders. In the first nine months of 1924, the company earned $5.53 per share, and the final results for the year should show nearly $8 per share. On the basis of these earnings and those of the two preceding years, a dividend rate of $4 or $5 per share annually would be justified.

At its current price of around 47, Bayuk common looks attractive for one willing to ignore temporary fluctuations of the market. The Second 7% Non-cumulative Preferred of which there is $1,234,000 *outstanding is convertible into common at $62 prior to August* 1, 1928, *and if it can be bought around par would make a desirable purchase offering a combination of investment and speculation.*

CONSOLIDATED CIGAR

Consolidated Cigar was organized in 1919 as a consolidation of several smaller manufacturers. During the first two years of its career it prospered and then encountered the defla-

tion period which converted earning power into a deficit in 1921. Since that time the management has been making strenuous efforts to place the business of the corporation on a firm foundation, to build up earning power and to strengthen the working capital position. If 1924 earnings are to be accepted as a criterion, the policy of the management is beginning to bear rich fruit.

Most of the brands of the company sell for ten cents or above. "Dutch Masters" is its leading brand and finds its largest popularity in western territory. Other well-known brands of the company are "44," "Harvester," "El Sidelo" and "Henry George."

After showing a deficit of $740,998 in 1921, Consolidated Cigar came back in 1922 with earning power of $1,043,090, equivalent to $4.77 per share on the Common Stock. Profits in 1923 declined to $459,978, or $.73 per share of Common.

In 1923, the company has shown a very decided recuperation in earning power. Earnings for the first eleven months of 1924 were approximately $1,147,000, equivalent, after deducting preferred dividends, to slightly over $6 per share of Common. At the same time the company has paid off its loans at the bank and thereby greatly strengthened its working capital position.

The favorable earnings for 1924 are said to be the result of better quality of goods, made better known through better merchandising methods. Increased advertising has been one of the mediums used to increase sales, and that it has been successful is denoted by increased output for the company in a year of decreased production for the country as a whole. The management feels that the 1924 record is not "a flash in the pan" but one which it hopes can be even bettered in 1925.

Following the deficit in 1921, the company temporarily passed the dividend on the preferred stock, but restored it again in 1923. There is now due 5¼% for accumulated unpaid preferred dividends, but this sum amounts to only approximately $200,000 and is not a serious obstacle in the way of Common dividends.

Both from a near-term and long-term standpoint the common stock, around its present price of 25, seems to offer attractive speculative opportunities.

UNITED CIGAR STORES

United Cigar Stores is engaged in the field of retailing rather than manufacturing, but it is so closely identified with the cigar trade that it can well be included in a summary of cigar companies. The business of the company is principally the retailing of tobacco products, but it has a supplementary and highly important activity in its real estate operations. At present, the company has nearly 1,200 stores and about 1,275 agencies, making in all about 2,475 sales units.

Earning power during the past six

years has shown a high degree of stability. Profits in 1918 were $4,010,205; in 1919 were $4,436,480; in 1920 were $5,029,005; in 1921 were $4,101,657; in 1922 were $4,359,806; and in 1923 were $4,757,928. These figures show a consistent earning capacity, not subject to wide variations.

Net profits for 1923 after preferred dividends were $4,441,038, equivalent to $3.38 per share (13.52%) on the present $25 par shares. These earnings are not much above the present dividend requirements of $2 per share (8%) in cash and 5% in stock, but profits this year will provide a more substantial margin over dividend requirements. Net earnings for the first nine months were $4,120,893, equivalent to $2.80 per share on the common. Payment of a portion of the dividend in stock permits the company to retain a portion of its earnings for expansion purposes.

Measured by the current earning power, United Cigar Stores common at 62 seems to have discounted fairly well its speculative possibilities, although the yield is over 8% if the stock received as a dividend is sold. The floating supply of the stock is small, approximately 87% being owned by Tobacco Products, and this condition lends itself to manipulation and easy upward adjustment in prices. In its leaseholds and real estate the company has assets believed to be worth more than three times their book value of $7,216,004, and the eventual realization of this profit will in due course be reflected in the earnings. *As a long pull speculative investment the stock commends itself on its past record, its present earning record, its strong working capital position and its profitable real-estate department.*

TOBACCO PRODUCTS

As a return from the sale of its manufacturing business to the American Tobacco Company, Tobacco Products receives an annual lease rental of $2,500,000. It is now a holdipg company depending for its income on its lease rental and its ownership of approximately 87% of the common stock of the United Cigar Stores. After the retirement of its preferred stock from the proceeds of the sale of its manufacturing assets, the company has outstanding 448,085 shares of Class A stock, carrying non-cumulative dividends of $7 per share annually, and 514,904 shares of common stock.

Since the corporation is merely a holding company all of its income may be distributed in dividends, because there is no necessity to retain earnings for expansion purposes. Upon the basis of its holdings of United Cigar Stores common, Tobacco Products at present receives cash dividends of about $2,316,000 annually, which when added to rental income of $2,500,000 makes total cash income of around $4,816,000 annually. Class A dividends amount to $3,136,000, leaving cash income of $1,680,000 for payment of dividends on Tobacco Prod-

ucts common, which at present 6% rate amount to $3,089,000 annually.

Tobacco Products also receives about 57,900 shares of United Cigar Stores common as a stock dividend, which if sold at present prices of around 60 would bring about $3,474,000. This amount added to the remaining cash income would make total income of $5,154,000 equivalent to about $10 per share on Tobacco Products common. Even if the 57,900 shares sold as low as par, $25 per share, the proceeds, together with the other cash income, would be sufficient to pay dividends on both classes of Tobacco Products stock.

At its present price of around 92, Tobacco Products Class A yields 7.60% and should be bought for investment and appreciation. The common, around 70, yields 8.50%, and has speculative possibilities that are largely dependent on the earnings of its subsidiary stores. If United Cigar Stores can continue to earn a margin over its present dividends, Tobacco Products common might well sell appreciably higher. It commends itself to those willing to assume a fairly high degree of speculative risk.

SCHULTE RETAIL STORES

Schulte Retail Stores has had a remarkable record of growth. In 1916 it did a volume of business of over $2,500,000; in 1923 its gross business was in excess of $25,000,000, or approximately a tenfold increase from the volume of seven years previously. Stores in the some period increased from 66 to 255. But net earnings outdistanced both of those records, advancing from $70,882, before taxes, in the fiscal year ending January 31, 1917, to $3,763,638 in 1923, a fifty-fold increase in a comparatively brief period.

The company is primarily engaged in the retailing of cigars, cigarettes and tobacco but it has related activities. It engages actively and successfully in the real-estate business; in the candy business through its control of Park & Tilford; in the perfumery business through its recent acquisition of the control of Vivaudou. In addition, it operates three cigar factories, which furnishes a large part of the high-grade cigars sold in the stores.

The business has been built up very largely out of earnings. Profits have been retained in the business and dividends distributed to the stockholders in the form of preferred stock.

Earnings for 1923 were equivalent to $11.99 on the 300,000 shares of common outstanding at the close of the year; or to $9.50 per share on 375,000 shares outstanding after recent 25% stock dividend. Profits in 1922 were $2,187,475 or $5.83 on present number of common shares outstanding.

Indications are that profits this year will show a large increase. Earnings in the first half of 1924 were 17% higher than in the corresponding pe-

riod of 1923. On the sale of a New York office building alone the company is reputed to have made a profit of $1,000,000. Park & Tilford sales are also higher, and accordingly the combined income from all sources ought to show a substantial increase.

Paying 8% dividends in preferred stock, Schulte common at its current price of 114 gives a return of nearly 8% (figuring preferred stock at 111). Earning power last year covered the dividend requirements with a margin to spare, and this year the outlook is that the margin will be sizeably increased. Working capital position is strong and the company is conserving its cash by paying dividends in stock. *If the performance of the past is any guide to the future, Schulte common seems to point for definitely higher prices.*

A DIVERSIFIED LIST OF LOW-PRICED STOCKS

(*Continued from page* 381)

enterprise is seen to be capitalized at 728,500 shares of no-par, which at 11½ have a total value of $8,378,000. There are no bonds or preferred stock. Furthermore, of this total capitalization, nearly 50% is represented by working capital, and 40% by cash and marketable securities (chiefly Liberty bonds). The peculiarly favorable nature of the company's business is seen from the fact that it has been able to increase its annual receipts from about $600,000 in 1912 to nearly $6,000,000 in 1924, without raising any new capital—and at the same time to accumulate a surplus cash fund of 3 million dollars available for further expansion.

In the calendar year 1923 net profits were $1.77 per share for Fifth Avenue Bus stock, or 15½% of the market price. For 1924 the figure will be about the same. But it should be borne in mind that the Security Fund of 3 million dollars, which represents over 40% of the capital, provided only about 13% of the income. This means that on that part of the present capitalization actually invested in the business, the net earnings were fully 20%. This figure, which would be very satisfactory for an industrial enterprise, is little short of remarkable in the case of a public utility, very few of which earn as much as 10% on their total capitalization.

Investors may hesitate to buy into this company on account of the tangled transit situation in New York City. Uncertain as are many of its aspects, there seems little reason to fear for the future of Fifth Avenue Bus. Its franchises are for the most part permanent, and possibly exclusive. It seems very unlikely that other companies will be permitted to operate over its present routes. On the other hand, the local administration contemplates

a wide extension of bus facilities throughout the city, and the Fifth Avenue Bus company has made a bid for comprehensive additional franchise. While there are many rivals in the field, this company appears to have reason for bearing off the main prize. For its offer is backed by plenty of capital, long experience, and—best of all—the decided good-will of the public. *If the company is permitted thus to enlarge its operations, the stockholders should undoubtedly obtain a corresponding benefit from increased profits and dividends.*

SCHOOL FOR TRADERS & INVESTORS

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than the shares of a company that does not make a practice of taking the public into its confidence. This is on the assumption, of course, that its shares are not made the object of manipulation on the part of some organized pool of speculators interested in creating an artificial market temporarily.

Statistics of individual corporations, or of certain important industrial groups of manufacturers, are much closer to the market than the more complex fundamental factors, and their variations are likely either to be promptly reflected in price movements of the shares, or to be discounted by such price movements when such variations may become known to individuals in close touch with the company's operations, or may be estimated in advance of their actual occurrence.

In many cases it is difficult to state which factors are the most important in forecasting share price movements, but in general the earnings or the trend of the earnings is the most important factor. A relationship of great importance is the ratio of the dividend to the earnings. The dividend rate is commonly known, but a determination of the actual earnings, or even a fair estimate in some cases, requires a more analytical study of the company's affairs than the average speculator is likely to devote to the problem. The mere fact that a company is paying a dividend that offers an attractive yield on the market price, may be bullish if the company is in a position to continue this rate, but it is more important to know whether the company is, or soon will be, in a position to increase the rate in the light of its earning ability.

Most of the items in the tabulation are almost self-explanatory, although briefly stated. No attempt has been made to exhaust the possibilities of such an outline of a subject, the unabridged discussion of which would run into many volumes, but it is hoped that the suggestion here presented will indicate clearly the kind of knowl-

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INCOME TAX DEPARTMENT

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of $1,000. This point is usually overlooked. The general opinion is that if one's net income is less than the personal exemption, a return need not be filed. That is not so in the case of the head of a family.

Furthermore, one individual cannot get more than one exemption. A married man who is also the head of the household is entitled to an exemption of $2,500, not $5,000, for that reason.

What is meant by "a head of a family"? A head of a family is an individual who supports and maintains in his household one or more other individuals. Note that the person being supported must live in the same household with the person claiming the exemption. *A son who supports his parents, therefore, would be regarded as the head of the household only if he lived with his parents. If he were not living with his parents, he would not be entitled to an exemption for being head of a household.*

The foregoing are known as the personal exemptions. In addition, there is a $400 exemption for each person supported by the taxpayer, if the dependent is under eighteen years of age or is incapable of self-support, because of some mental or physical infirmity.

There are several interesting phases about this exemption. In the first place, a husband cannot claim it for supporting his wife or vice versa. Then, the dependent must be either under the age of eighteen or mentally or physically incapable of self-support. The father that supports his nineteen year old son at college, therefore, cannot claim the exemption; nor can the father claim it for the support of his parents, unless they were incapable of supporting themselves because of some mental or physical defect. It should also be observed that the exemption is allowed for each person that is dependent on the taxpayer. If, for example, a taxpayer has three children under the age of eighteen, dependent on him, he would be entitled to an exemption on that account, of $1,200.

For the purpose of this exemption, it is not necessary that the dependent person live with the taxpayer, as is the case for the exemption of the head of a household. A man who supports a dependent relative in Europe can claim this exemption. However, as against this is the fact that for a person to be the head of a household, it is not necessary for the dependent to be under 18 or mentally or physically incapable of self-support. As long as the taxpayer supports anyone in his household, he is the head of a family. If that dependent person *is* under eighteen or incapable of self-

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Your Opportunity May Be There

support, then in addition to the head of the household exemption, the taxpayer is entitled to a further exemption of $400 for each such dependent.

There is still another and most important feature about all of these exemptions. Under the old law, it was the situation at the end of the year that determined the amount of the exemption that one was entitled to. If the taxpayer married on December 31, 1923, he was entitled to the married man's exemption for the entire year. If, on the other hand, the dependent died on December 31, the taxpayer could not claim the $400 exemption for such dependent, even though he actually supported the dependent during the entire year.

An Important Change

The 1924 Act, under which 1924 returns are to be filed, changes this somewhat. While the rule so far as the $400 exemption remains the same, namely, that this exemption shall be determined by the situation of the taxpayer on the last day of the year, the exemption for a married person or the head of a household depends on his status throughout the year.

In other words, if a person was married on June 30, 1924, the exemption on his 1924 return would be half the single man's exemption, or $500, and half of the married man's exemption, or $1,250, making a total of $1,750, because he was single half the year and married the other half. If instead of being married on June 30, he was married on any other date, his exemption would be figured on the same basis, namely, the proportion of the year that he was single and the proportion of the year that he was married.

The rules concerning the exemptions that are allowed individuals might therefore be summarized as follows: Every single person is entitled to an exemption of $1,000. Every married person or head of a household is entitled to an exemption of $2,500. An additional exemption of $400 is allowed for each person that is dependent on the taxpayer. The last exemption is determined by the situation that exists at the end of the year. However, the other exemptions are computed on a pro-rata basis where the taxpayer's status changes during the year.

The foregoing covers the situation respecting individuals. As to corporations, a corporation is entitled to an exemption of $2,000 if the net income is $25,000 or less; but if its net income is in excess of $25,000 the corporation gets no exemption whatsoever. It will be recalled that irrespective of the size of the net income, all corporations must file a return.

Estates and trusts are regarded as single persons and are therefore entitled to the $1,000 exemption.

In the next article the time and place for filing returns as well as the rates of taxation will be discussed.

WHAT'S AHEAD FOR 1925?

(Continued from page 360)

distinct business movements, the first was an upward trend in the early part of the year. This was followed by a downward movement in spring and summer. The trend then changed again with an increase in business after the election.

In 1923, there were also three distinct business movements: a rise in the early part of the year, a decline in spring and summer, and another rise in fall (after the declaration of an extra dividend on U. S. Steel common). It may be that there will be just as many changes, if not more, in 1925. The most efficient results will be secured therefore only by analyzing present conditions, reaching from this basis a conclusion as to the possibilities for business in the next few months.

Present Conditions

At present, the trend is undeniably upward. This, for example, is evidenced by the increase in steel orders, always a barometer of considerable practical importance. Additionally, there is noted the very large volume of railroad freight car loadings, a result of increasing agricultural, coal and merchandise shipments. Among other important indices may be cited: (1) the still satisfactory level of building and construction enterpises affecting such basis industries as steel, lumber, copper and railroads; (2) the increasing rate of demand for railroad and electrical equipment which in turn has resulted in increasing the operations of these industries; (3) large volume of retail trade as noted by statistics of mail-order houses, chain stores and department stores; (4) sound conditions in public utility field, with even the tractions improving; (5) partial stabilization of coal and oil industries, though here improvement may be merely seasonal.

The above, obviously, cannot give a complete picture of the situation but since these factors pertain to the basic industries, it is clear that the underlying trend is upward.

Turning to more general data, we find an irregular upward trend in commodities. The movement is not of striking proportions and seems to have little of an inflationary character. Nevertheless, it does reflect an increasing general demand. To mention a few important commodities in which the trend seems upward, there are: steel, pig iron, gasoline, fuel oil, copper, zinc, lumber, leather, wool, and silk.

Labor conditions show greater stability, with unemployment gradually diminishing. At the same time, the wage level shows a silght tendency upward. Of course, this reflects the general push toward increasing production. In some cases, however, as in the textile industry, wages are lower. Furthermore, there is reason to believe that the important coal-mining industry may be the scene of an important struggle between operators and labor over the wage question. This will probably come to a head by the end of winter, when the present agreement between the union and the operators expires. Generally speaking, the coming year, unless more prosperous than expected, will witness not much more than stabilization of the present rate of wages with possibilities for eventual reductions of pay in a number of important instances, among which can be cited the automotive industries, building and construction, coal, and possibly steel.

Earnings Situation

Despite the high rate of earnings shown by individual companies, it is unquestionably true, generally speaking, that the margin of profit is not high and this is principally a result of the average high rate of wages. Were our industries in a position to operate at or near capacity for any considerable period, the wage burden could be managed without much difficulty. The situation is different, however. In the past few years, our industries have been able to operate at satisfactory rates for only comparatively small periods, since our foreign markets have not been large enough to absorb excess production. The moment the production peak is reached, the markets are flooded and a reaction ensues. Operating schedules are reduced and labor is thrown out of work, on a large or small scale, according to individual conditions within the respective industries. It is rather significant that since the war we have not had an uninterrupted advance in business lasting much over six months. If similar conditions prevail this year, the present boom in business will have reached its crest some time near summer.

The money and credit situation, as explained in another section of this article, is still favorable but rates will advance, reflecting increased international and domestic demand for our credit facilities. Costs of doing business, naturally, increases in such a period. Consequently careful business people, who borrow in large amounts, should not postpone their borrowings too long as they will be compelled to pay increased rates for their accomodation.

Conclusion

Summarizing this sketch, we should say that the present and immediately prospective trend of business is upward, that barring any unexpected development, the trend should continue upward until the end of Spring. At that point, it is more than likely that an abrupt reaction will ensue.

As to the policy which business people should pursue, it is clear that they may rely on an increase in general

business lasting for some months yet, but they should be careful not to extend their commitments too heavily. This is all the more important because at a time of general industrial activity, business people frequently lose their sense of proportion and make commitments on a much larger scale than they would otherwise.

SCHOOL FOR TRADERS & INVESTORS

(*Continued from page* 430)

edge a successful trader must have to supplement his technical-position studies, and the distinction between general fundamental statistics and individual corporation statistics.

Briefly, we believe that a thorough knowledge of statistics will indicate *what* to buy or sell, and a study of technical position will indicate *when* to buy or sell. We believe that the trader's reward will be in direct proportion to the care with which he applies the ten cardinal principles heretofore outlined, the last of which, [namely, a clear view of statistics,] is not the least.

WILL OIL PROFITS INCREASE IN 1925?

(*Continued from page* 397)

own. This is due to the increase in consumption, brought about by its more general use for domestic heating and by the decline in heavy crude-oil production, which formerly supplied a large part of the fuel-oil output. It has become almost as valuable as the crude oil itself, for the manufacture of gasoline.

Oil Business Changing

While this discussion is intended to be one of the present situation in the oil industry and not its economic fundamentals, the thought persists that the industry is rapidly changing its policy to one more nearly of a straight manufacturing proposition. The increasing use of fuel oil for heating and cracking purposes has enabled a flexibility of operation. Instead of piling up reserves of gasoline in the winter months when consumption declines and going into the spring with too much reserve, as has been the case the past several years, the transition is now easily made in the fall to fuel oil and the manufacture by the straight distillation process of only as much gasoline as the market will absorb.

The recent increases in prices for refined products have been such that refiners have been able to operate at a profit, although small. To most re-

finers, however, it is a most welcome change as the majority of them have been operating at a loss over the past year and especially so since the middle of this year.

The producing phase of the industry has been able to show a profit, even at the present low price. This is particularly true of those companies which have not made an extended drilling campaign and consequently had no "dry hole" loss to write off.

Is the Turn at Hand?

The retail prices are still low and the average is much lower than has prevailed for many years. This will tend to cut down the profits of those companies who market their products direct to the public. It is believed that this condition will be improved as the tank-car price increases. The past few weeks have witnessed isolated advances, which are doubtless forerunners of further general increases.

The oil industry has gone through a long period of depression. It is believed that the turn has been made and on the present price structure for crude and refined products, the industry should show earnings. It is true they are not large and probably not a big return on the investment, but with the present upward trend of prices, profits should increase. Balance sheets for this year will probably show that many companies operated at a loss, but if the present prices and demand is maintained, the earnings of the better companies in the industry should be materially increased.

STABILIZING THE NATION'S BUSINESS THROUGH RAIL EFFICIENCY

(*Continued from page* 356)

American railways in 1923, what is to be gained by lowering rates. In 1923 the railroads of the United States performed a service that was equivalent to carrying a ton of freight 4,328 miles, and one passenger 360 miles, for every man, woman and child in the country.

"The traffic carried by our railroads with ever increasing efficiency has increased more than 800 per cent in the last 40 years, and more than 100 per cent in the last 20. The only limit upon expansion and betterment of railroad service is the amount of credit that the people of this country are willing to allow the railways with which to expand. And as the average man is now the railway owner—not a few millionaires—it's all in the family.

"It was freely predicted after the war that the American railway sys-

tem faced a breakdown and would never be able to meet the requirements of the rapidly expanding commerce of a nation of 110 millions of people. These predictions have been nullified, and instead of breaking down, the railways have given far better service than ever before. They have spent three billion dollars in the last three years on permanent improvements and extension of facilities over and above replacements and renewals."

"Aren't there some objections to this hand-to-mouth buying and producing—doesn't it leave industry and commerce always on the rough edge of uncertainty?"

"Perhaps so, but that uncertainty isn't so very uncertain, after all, when business flows steadily, as it does when buying and production are for current requirements. In a well-forested country, you know, you have neither great floods nor great restrictions of stream flow. So, in balanced business you may not have thrilling booms, but also you do not have paralyzing depressions. From the railway standpoint, I see nothing but good. It helps get the "peaks" out of our traffic loads, and it tends to even up revenues. Steady revenues mean steady dividends, and that interests investors. Congestions, blockades and embargoes at one season are apt to mean lean business, short trains and side-tracks full of empties at another.

Good-will Toward the Rails

"This country of ours grows, changes and multiplies so amazingly that the railroads have about all they can do to handle an ever-growing flow of business, without being strained by overloads and weakened by scanty patronage. I am glad to add, though, that the railroads were never in a better position than they are today with reference to public opinion and good will. There seems now to be a general disposition to leave us alone, to drop rate reduction agitations and put it up to us and the country's investors to move the freight and passengers. The country is realizing that efficient service by the railways is all important and that that cannot be rendered without easy access to new capital, which in turn is dependent upon the railway's ability to pay for capital. The election put railway baiting out of favor. Mr. LaFollette made his main drive on the railways, but the returns show that not even the railway unions gave him and his government-ownership scheme united support. Nationalization of railways is as dead as a doornail. The outlook is for a period of sanity and constructiveness in the political treatment of the railways.

"Under such conditions the railways will undertake to haul the nation's freight rapidly and dependably. Keep the national circulation system healthy and vigorously functioning and we'll escape a lot of economic ills."

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Dividends

WESTINGHOUSE ELECTRIC & MANUFACTURING COMPANY

A Quarterly Dividend of 2% ($1.00 per share) on the PREFERRED Stock of this Company will be paid January 15, 1925.

A Dividend of 2% ($1.00 per share) on the COMMON Stock of this Company for the quarter ending December 31, 1924, will be paid January 31, 1925.

Both Dividends are payable to Stockholders of record as of December 31, 1924.

H. F. BAETZ, Treasurer.
New York, December 20, 1924.

The Bell Telephone Company of Canada

Notice of Dividend

A dividend of two per cent (2%) has been declared payable at the office of the Company, in Montreal, on January 15, 1925, to shareholders of record at the close of business on December 23, 1924.

JOS. JONES, Treasurer.
Montreal, December 10, 1924.

WEST PENN POWER COMPANY

New York, N. Y., December 17, 1924.

The Board of Directors of West Penn Power Company has today declared quarterly dividend No. 36 and one and three-fourths (1¾%) per cent upon the 7% Cumulative Preferred Stock of the Company for the quarter ending January 31, 1925, payable on February 2, 1925, to stockholders of record at the close of business on January 15, 1925.

C. C. McBRIDE, Treasurer.

CHICAGO PNEUMATIC TOOL COMPANY

Dividend No. 79

A quarterly dividend of one and one quarter per cent has been duly declared on the Common Stock of this Company payable January 26th, 1925, to stockholders of record at the close of business January 15th, 1925.

J. G. GRIMSHAW, Treasurer.
New York, December 23rd, 1924.

Business Opportunities

TREASURER

An old-established construction company is in need of a treasurer. The other officials of this company are men of high standing and business influence, and we are seeking a man of the same type.

It is essential that he have financial experience and good banking connections. Our firm is presently involved in transactions that total $10,000,000.00, and has to its credit some of the largest construction jobs in this country.

All of our present officials have a financial interest in the firm, and we would like the new Treasurer to enter on the same basis. $25,000.00 is the amount required.

To us, the man is the first consideration, and we would like to hear from any responsible party.

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Dividends

AUSTIN NICHOLS & CO.

INCORPORATED

December 17, 1924.

The regular quarterly dividend of one and three quarters per cent (1¾%) on the preferred stock has this day been declared, payable February 1st, 1925, to stockholders of record, Thursday, January 15th, 1925, at three o'clock p. m. Transfer books will not close.

THOMAS M. McCARTHY, Treasurer.

ANACONDA COPPER MINING CO.

25 Broadway
New York, December 23, 1924.

DIVIDEND NUMBER 86

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of Seventy-five Cents (.75) per share upon its Capital Stock of the par value of $50 per share, payable on February 16th, 1925, to holders of such shares of record at the close of business at 12 o'clock, noon, on January 17, 1925.

A. H. MELIN, Secretary.

WESTERN POWER CORPORATION

The Board of Directors has declared a quarterly dividend of one and three quarters per cent on the preferred stock for the quarter ending December 31, 1924, payable January 15, 1925, to preferred stockholders of record at the close of business January 8, 1925.

T. M. TOMPKINS, Treasurer.

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Common Capital Stock - No Par Value
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Mr. Chas. Freshman, President, summarizes his letter to us as follows:

History and Business: The Chas. Freshman Co., Inc., is being incorporated under the laws of the State of New York to take over the business of the existing Company of the same name. Capitalization will consist of 225,000 shares without nominal or par value. The Company has no funded debt or preferred stock, the common shares occupying a position where they have a first call on all the assets and earnings of the Corporation. The business was first established in July, 1922, with a paid-in capital of $1,500, to engage in the manufacture of radio parts and accessories such as variable grid leaks, fixed leaks, fixed condensers, variable condensers, "Antenella" crystal detectors, transformers, jacks, vernier dials, rheostats, etc., and at the present time sells to manufacturers a large portion of the parts used in assembling radio sets. It is rated the second largest manufacturer of fixed condensers and the largest manufacturer of grid leaks in the world. The Company, however, is probably best known as the manufacturer of the "Freshman Masterpiece" receiving set, it being now rated the largest manufacturer of five-tube radio receiving sets in the world.

Plant and Productions: The Company's factories are located in the City of New York and the Company by itself and through its interests in various specialty companies engaged in the production of all parts necessary to build complete the "Freshman Masterpiece" is enabled to manufacture at the present time about 7,500 "Freshman Masterpiece" sets per week, about 3,000 "Freshman Masterpiece" Tuned Radio Frequency Kits and $15,000 of parts products. We have just taken possession of the building located at 240-48 West 40th Street, which will hereafter be known as the Freshman Building. We are occupying four floors of the twelve-story building, with arrangements made for additional space if needed. From January 1 to January 15, 1925, we expect to increase this production to not less than 10,000 sets per week, and 4,000 kits per week. We will unquestionably be able to increase this production as the demand requires. This set is a five-tube tuned radio frequency receiving set which retails at $60. The demand for this set has been phenomenal.

Sales: The Company's products have a wide and rapidly growing market throughout the United States and in several foreign countries. Orders and requests from our appointed distributors throughout the United States are at the rate of 15,000 to 20,000 sets per week and 5,000 to 7,000 kits per week. A very conservative figure of the number of orders we have on hand for delivery up to April 1 on a per week basis is 200,000 "Freshman Masterpiece" receiving sets and 80,000 Tuned Radio Frequency Kits.

Earnings: Earnings have shown a remarkable growth. Net profits before taxes for the year 1924, with profits for December estimated, are calculated at $802,000. Based on past experience and taking into consideration the large volume of orders now in hand, we believe that profits for the year 1925 may be conservatively estimated at $3,000,000.

Management: The same management which has been responsible for the Company's phenomenal success up-to-date remains in charge and will continue to devote its entire time and best efforts to the business.

All transactions under this offering are made subject to approval of counsel and "when, as and if issued and accepted" by us. Delivery may be made in interim receipts or temporary certificates exchangeable for definitive certificates. Legal details are subject to the opinion of Messrs. Webb, Patterson & Hadley, 67 Wall Street, New York City. Messrs. Marwick, Mitchell & Company are Auditors for the Bankers.

Application will be made to list this stock on the New York Curb Market

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The statistics and information contained in this advertisement are obtained from what we regard as reliable sources, but are not guaranteed by us.